Value Research

Wealth Insight

March 2022 ₹125

Rising rates, falling markets

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VISIT…

It's never too early to save for your retirement

Presenting HDFC Retirement Savings Fund

*HDFC Retirement Savings Fund is a notified pension scheme under section 80C of the Income Tax Act, 1961.

Name of Scheme/Investment Plan	This product is suitable for investors who are seeking~:	Riskometer#
HDFC Retirement Savings Fund - Equity Plan	• A corpus to provide for pension in the form of income to the extent of the redemption value of their holding after the age of 60 years • Investment predominantly in equity and equity-related instruments	INVESTORS UNDERSTAND THAT THEIR PRINCIPAL WILL BE AT VERY HIGH RISK
HDFC Retirement Savings Fund – Hybrid Equity Plan	• A corpus to provide for pension in the form of income to the extent of the redemption value of their holding after the age of 60 years • Investment predominantly in equity and equity-related instruments with balance in debt and money market instruments	
HDFC Retirement Savings Fund – Hybrid Debt Plan	• A corpus to provide for pension in the form of income to the extent of the redemption value of their holding after the age of 60 years • Investment predominantly in debt and money market instruments & balance in equity and equity-related instruments	INVESTORS UNDERSTAND THAT THEIR PRINCIPAL WILL BE AT MODERATELY HIGH RISK

~ Investors should consult their financial advisers, if in doubt about whether the product is suitable for them.

#For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com

Date of Release: February 11, 2022

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*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

SCHEME RISKOMETER

Investors understand that their principal will be at Very High risk

^ Calculated at the highest tax slab rate for FY21-22 applicable on investments u/s 80C of Income Tax Act, 1961. Surcharge has been ignored for ease of calculation.

The Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Value Research
Wealth Insight

March 2022
Volume XV, Number 9

EDITORIAL POLICY

The goal of *Wealth Insight*, as with all publications from *Value Research*, is not just limited to generating profitable ideas for its readers; but to also help them in generating a few of their own. We aim to bring independent, unbiased and meticulously- researched stories that will help you in taking better-informed investment decisions, encouraging you to indulge in a bit of research on your own as well.

All our stories are backed by quantitative data. To this, we add rigorous qualitative research obtained by speaking to a wide variety of stakeholders. We firmly stick to our belief of fundamental research and value-oriented approach as the best way to earn wealth in the stock market. Equally important to us is our unwaveringly focus on long term planning.

Simplicity is the hallmark of our style. Our writing style is simple and so is the presentation of ideas, but that should not be construed to mean that we over-simplify.

Read, learn and earn – and let's grow and evolve as we undertake this voyage together.

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Stop paying attention to indexes

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MUTUAL FUNDS *Sahi Hai*

An investor education initiative by

LIC MUTUAL FUND

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MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY

EDIT

You vs Ukraine

How investors should react to the Russia–Ukraine war

DHIRENDRA KUMAR

As I'm writing this page on the morning of February 25, Russian military action in Ukraine is continuing on its third day – or perhaps I should say its eighth year – but I have no expertise on this, so I'll let it be. Let me focus on how this will or should impact our investing and savings activities.

Quite clearly, the movers of markets around the world seem to think that this is a passing cloud. The US equity markets had been falling for a few weeks now. In recent days, as some kind of conflict looked more and more likely, the decline had sharpened. However, the day after the action began, they turned upwards, with the S&P 500 index recording an increase of 1.5 per cent, which is quite substantial. It's notable that the Ukraine situation had no role in the decline during January.

The Indian markets too have done something similar. On February 24, when fighting had just begun in Ukraine, the markets fell by almost 5 per cent, which was easily the worst single day in a long time. The very next day, just like most markets around the world, the mood has lifted. Surely, as it happened with the Chinese virus, it would take a few weeks or at least days for the fog of war to clear and the way forward to become visible. Why the enthusiasm?

Here's my take. I could yet be wrong but I think the super-punters of the world in Wall Street and elsewhere feel that the European crisis will stave off the liquidity squeeze that was said to be coming. Recall that the broad global decline in earlier weeks was caused by a general expectation of tightening money. As I had written a couple of months back, inflation in the United States is at a 40-year high.

There can be no doubt at all that this is because of the flabbergasting amounts of money that has been created by the Federal Reserve in the past few years, which has been on a money-creation frenzy. In 2008, the United States' money supply stood at $7.5 trillion. By 2019, it was more than double of that. Now, it has increased to $21 trillion. Late in 2020, someone calculated that more than 20 per cent of all dollars that existed had been created in the previous 10 months. I'm sure the figure is higher now.

Now, it seems that Wall Street has decided that with yet another crisis looming, the flood of money will not cease, at least for the time being. This is why markets have turned up again. Obviously, there's no way of predicting this. The Biden regime is extremely worried about inflation. Despite talk of massive sanctions against Russia, it is significant that the US has decided to let Russia's petroleum and gas operations operate unhindered because of inflation worries.

So, what view should investors take? I would say that keep reading the news but don't let it affect your investment outlook. You and I have no way of really looking into the future and figuring out what happens to global liquidity or the conflict or Vladimir Putin's or Joe Biden's state of mind. However, the important thing to remember is that we don't need to know any of this unless we are punters who are buying and selling stocks within a few days' horizon.

The readers of 'Wealth Insight' are not that sort of investors, I'm sure. With all these momentous events playing out, there's little doubt that volatility and perhaps substantial declines will be seen across stocks. However, the fact remains that the Indian markets are much more resilient to such shocks than earlier. Large domestic inflows, especially from equity SIPs and the EPFO, provide a cushion that was missing earlier. Some hiccups might be coming, but investors would do well to stay focused on the quality of their investments and not shy away from taking advantage of low equity prices.

At the end of the day, if you are focused on quality stocks, the weeks and months to come are going to be an opportunity to buy at great value, more than anything else.

Keeping it simple!

Niraj Dugar
@contliving

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Why Follow

Niraj is a Hyderabad-based Chartered Accountant, with over a decade-long experience in the financial-services industry. A strong advocate of investing in mutual funds for inflation-adjusted returns, most of his tweets are lessons in investing wisely and the importance of keeping it simple.

Co-founder of Holistic Wealth, a company that helps people plan their finances, Neeraj quit his job in 2019 to pursue his love for reading and learning.

He espouses contrarian investing, and runs a newsletter, 'The Contrarian Letter', where he shares thoughts on the psychology of money, and learning to live a better life.

Play games that you are equipped to play.
Sticking to the simple stuff works more often than not.
It is only the complicated stuff that causes ruin.

Taking financial advice from a friend is cheaper in the short run and expensive in the long run.

You can take a loan for everything except for retirement.
Start creating a corpus today.

They said market is a place where wealth is transferred from the impatient to the patient.

You're doomed if are going to micromanage your portfolio and rebalance monthly.

Instead of focusing on returns in investing, focus on asset allocation and see if the desired allocation can help your reach your goals.
It'll solve all your problems.

Build a decent mutual fund portfolio before diving into stocks.
Even if you fail as a stock picker, your mutual funds will continue to grow and hopefully make you financially free.

Few myths of real estate investing -
1. Rent is an expense. EMI is an investment.
2. Buy RE to save taxes.
3. Renting means changing frequently.
4. EMI means forced saving.
5. RE always appreciates

Extract of the Financial Results for the Quarter and Nine months ended 31 December 2021

(₹ in Crore)

S.No.	Particulars	Standalone					Consolidated				
		Quarter ended		Nine Months ended		Year ended	Quarter ended		Nine Months ended		Year ended
		31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.03.2021	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.03.2021
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
1	Total Income from Operations	10,636.56	10,311.35	31,393.94	29,821.62	40,527.11	10,723.61	10,359.48	31,629.96	30,007.20	40,823.53
2	Net Profit before Exceptional Items and Tax (including Regulatory Deferral Account Balances (net of tax))	4,211.85	4,331.02	12,374.00	11,961.44	16,103.56	4,178.22	4,446.57	12,524.53	12,320.84	16,579.35
3	Net Profit before Tax (after exceptional items)(including Regulatory Deferral Account Balances (net of tax))	4,211.85	4,331.02	15,543.58	10,882.80	15,024.92	4,178.22	4,446.57	15,538.50	11,242.20	15,500.71
4	Net Profit after Tax for the period	3,349.44	3,323.85	12,773.12	8,420.17	11,935.78	3,292.97	3,367.71	12,667.63	8,510.23	12,036.46
5	Total Comprehensive Income comprising net Profit after Tax and Other Comprehensive Income	3,335.58	3,333.07	13,071.48	8,431.86	11,961.14	3,278.81	3,376.99	12,965.70	8,521.99	12,061.95
6	Paid up Equity Share Capital (Face value of share : ₹ 10/- each)	6,975.45	5,231.59	6,975.45	5,231.59	5,231.59	6,975.45	5,231.59	6,975.45	5,231.59	5,231.59
7	Reserves (excluding Revaluation Reserve) as shown in the Balance sheet	68,699.41	62,910.61	68,699.41	62,910.61	64,347.25	68,995.34	63,256.40	68,995.34	63,256.40	64,704.48
8	Securities Premium Account	7,834.43	9,578.29	7,834.43	9,578.29	9,578.29	7,834.43	9,578.29	7,834.43	9,578.29	9,578.29
9	Net worth	75,674.86	68,142.20	75,674.86	68,142.20	69,578.84	75,970.79	68,487.99	75,970.79	68,487.99	69,936.07
10	Paid up Debt Capital	1,30,356.45	1,41,820.66	1,30,356.45	1,41,820.66	1,41,251.48	1,30,356.45	1,41,820.66	1,30,356.45	1,41,820.66	1,41,410.33
11	Debt Equity Ratio	63:37	68:32	63:37	68:32	67:33	63:37	67:33	63:37	67:33	67:33
12	Earnings per equity share including movement in Regulatory Deferral Account Balances (Face value of ₹10/- each): Basic and Diluted (in ₹)	4.80	4.76	18.31	12.07	17.11	4.72	4.83	18.16	12.20	17.26
13	Earnings per equity share excluding movement in Regulatory Deferral Account Balances (Face value of ₹10/- each): Basic and Diluted (in ₹)	4.90	4.22	18.15	10.97	16.54	4.82	4.28	18.01	11.10	16.74
14	Bonds Redemption Reserve	5,881.58	7,599.20	5,881.58	7,599.20	7,387.97	5,881.58	7,599.20	5,881.58	7,599.20	7,387.97
15	Debt Service Coverage Ratio	1.45	1.79	1.63	1.69	1.80	1.45	1.83	1.62	1.70	1.81
16	Interest Service Coverage Ratio	4.83	4.41	5.10	4.01	4.16	4.78	4.50	5.11	4.10	4.26

Notes:

1 The above is an extract of the detailed format of Quarterly and Nine months Consolidated and Standalone Financial Results filed with the Stock Exchanges under Regulations 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the Quarterly and Nine months Consolidated and Standalone Financial Results is available on the Investor Relations section of our website https://www.powergrid.in and under Corporates Section of BSE Limited & National Stock Exchange of India Limited at https://www.bseindia.com and https://www.nseindia.com respectively.

2 Previous periods figures have been regrouped/rearranged wherever considered necessary.

Place : Gurugram
Date : 09 February, 2022

For and on behalf of POWER GRID CORPORATION OF INDIA LTD.
Sd/-
M. Taj Mukarrum
Director (Finance)

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Newsmakers of the month

Key business, economic and market events that you must be aware of

LIC readies for an IPO; files DRHP

In what is set to be India's largest IPO, LIC, India's largest life insurer, filed its DRHP (draft red herring prospectus) with SEBI, indicating the government's intention to sell a 5 per cent stake. With an embedded value of ₹5,39,686 crore, LIC dwarfs other Indian life insurers by a wide margin. Though LIC's valuation has not been finalised, an estimated price-to-embedded-value of three would fetch nearly ₹81,000 crore for the exchequer.

LIC vs other life insurers

Company	FY21 net premium earned (₹ cr)	FY21 PAT (₹ cr)	H1 FY22 embedded value (₹ cr)	10M FY22 market share (%)	FY21 ROE (%)
LIC	4,05,398	2,974	5,39,686	61.2	81.7
SBI Life	49,768	1,456	35,290	9.1	15.2
HDFC Life	38,149	1,361	28,700	8.4	17.6
ICICI Prudential	34,973	956	30,200	5.1	11.7
Max Life	18,739	425	12,990	2.6	18.7
Bajaj Allianz Life	11,926	580	16,620	2.9	5.7

Source: LIC DRHP and IRDA

RBI keeps rates unchanged

The Monetary Policy Committee (MPC) of RBI opted to maintain the existing rates. A hike was widely anticipated. This is the tenth consecutive time that the rates have been left unchanged since the last revision in May 22, 2020.

The inflation projection for FY22 is set at 5.3 per cent and the retail inflation for FY23 has been pegged at 4.5 per cent. The real GDP growth rate has been revised to 7.8 per cent against 8–8.5 per cent stated in the Economic Survey.

Key rates currently

Policy repo rate	4.00%
Reverse repo rate	3.35%
Bank rate	4.25%
Marginal standing facility rate	4.25%

The RBI governor, Shaktikanta Das, has once again warned investors about crypto, stating that it is a threat to financial stability and it does not have any underlying value, not even a tulip. This was with reference to the tulip mania of the 17th century in Holland, when the prices of tulip bulbs reached stratospheric highs. The bubble busted soon after.

Government unveils the Green Hydrogen Policy

To reduce dependence on fossil fuels and encourage renewable-energy sources, the government announced a Green Hydrogen Policy. Green hydrogen is produced by splitting water (H_2O) into hydrogen and oxygen using electrolysis and renewable energy. See the 'Straight Talk' column by Anand Tandon in this issue for details.

Some beneficiaries of the Green Hydrogen Policy

Company	M-cap (₹ cr)	TTM P/E	1Y return (%)
Reliance Industries	16,15,855	28.0	19.0
Larsen & Toubro	2,58,914	31.1	26.9
NTPC	1,28,044	8.4	29.5
IOC	1,10,287	4.0	22.5
BPCL	77,084	4.0	-15.7
Tata Power	71,128	43.6	147.3
GAIL	59,790	5.3	-5.7
JSW Energy	53,464	55.9	353.2
HPCL	41,258	4.9	20.5

Price data as on February 22, 2022

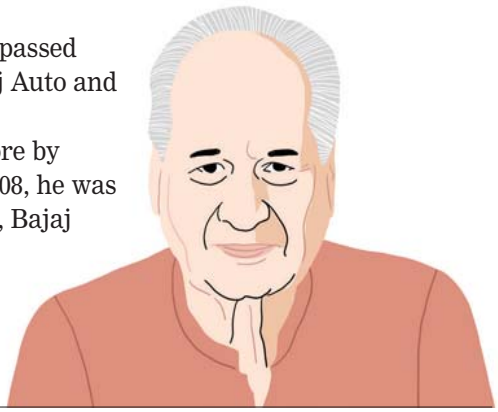
Bharti Airtel in action

Bharti Airtel will be holding an extraordinary general meeting on February 26, 2022, to seek approval for raising $700 million from Google in exchange for equity. Google will further invest $300 million in the company over the course of the next five years.

Moreover, from FY23 to FY27, Bharti Airtel will invest up to ₹3,000 crore per year in Nxtra Data and ₹2,800 crore per year in Bharti Hexacom (both its subsidiaries) to avail and render data-centre and telecom services.

To avail passive infrastructure services for 5G rollouts, it will invest up to ₹17,000 crore per year in Indus Towers (a joint venture) from FY22 to FY25 and in FY26, it will invest up to ₹20,000 crore. These investments add up to ₹1,17,000 crore.

Hamara Bajaj is no more



Rahul Bajaj, one of the most successful business leaders of the country, passed away on February 12, 2022. He was the Chairman Emeritus of both Bajaj Auto and Bajaj Finserv. Bajaj became the CEO of Bajaj Auto in 1968 and under his leadership, the company catapulted from ₹7 crore sales to over ₹5,000 crore by March 2005. In 2005, he stepped down as the CEO of Bajaj Auto and in 2008, he was instrumental in the split of Bajaj Auto into three companies (Bajaj Auto, Bajaj Finserv and Bajaj Holdings). Known as being bold and fearless, he held important positions in industry organisations, like the Confederation of Indian Industry and the World Economic Forum, among others.

SBI and ONGC post strong Q3 results

SBI posted a 51 per cent YoY increase in profits after tax on the back of strong asset quality. Its gross non-performing assets declined 27 basis points to 4.5 per cent, resulting in a 32 per cent reduction of provisions, from ₹10,342 crore to ₹6,974 crore.

ONGC, another public sector undertaking, also posted stellar results, with standalone profit after tax increasing nearly seven times, from ₹1,258 crore to ₹8,763 crore. This was primarily attributable to a 75 per cent increase in the company's realisation price of a barrel of crude oil from $43.2 to $75.73.

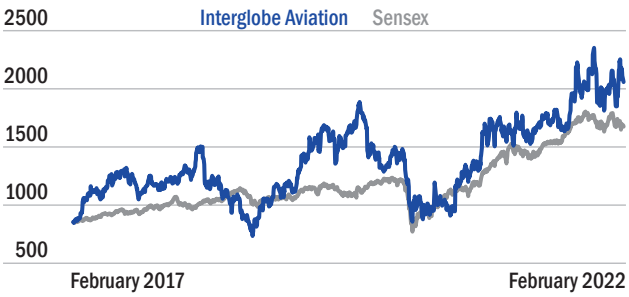
SBI & ONGC: YoY revenue and PAT growth over the quarters

Quarter	SBI Revenue growth (%)	SBI PAT growth (%)	ONGC revenue growth (%)	ONGC PAT growth (%)
Q4 FY21	9.8	59.5	9.4	246.8
Q1 FY22	6.0	44.9	73.0	279.3
Q2 FY22	6.1	69.0	45.9	262.4
Q3 FY22	7.6	51.4	45.3	223.0

IndiGo's co-founder Rakesh Gangwal quits

The feud between Indigo's founders, Rakesh Gangwal and Rahul Bhatia, seems to be heading towards closure after Rakesh Gangwal tendered his resignation from the board of directors and disclosed his intention to sell his 37 per cent stake in Indigo over a period of time. The dispute, which arose after Rakesh Gangwal filed a complaint with SEBI accusing Rahul Bhatia of indulging in related-party transactions at Interglobe Aviation (parent company of Indigo Airlines), resulted in arbitration proceedings in London that directed both parties to amend the company's Articles of Association in order to remove the restriction on the sale of shares. The company also settled the matter with SEBI by paying ₹2.1 crore.

Interglobe Aviation vs Sensex

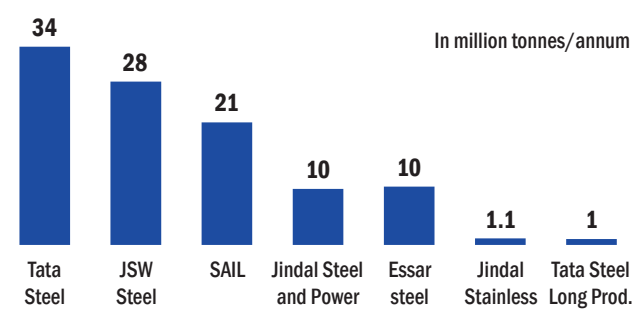


Sensex rebased to stock price

Tata Steel Long Products to buy Neelachal Ispat

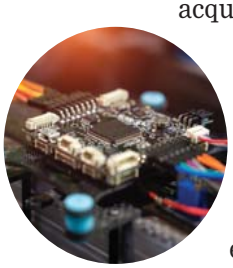
Tata Steel Long Products, a subsidiary of Tata Steel, has emerged as the successful bidder to acquire Neelachal Ispat Nigam. The company will be acquired for ₹12,100 crore for a 93.7 per cent stake. This is being considered as a big success for the government's privatisation push. Tata Steel owns 74.9 per cent stake in Tata Steel Long Products.

Top Indian steelmakers by capacity



Vedanta bets big on BPCL and semiconductor chips

The Indian mining giant Vedanta has said that it is planning to tie up with an investor to set up an acquisition fund to bid for BPCL.

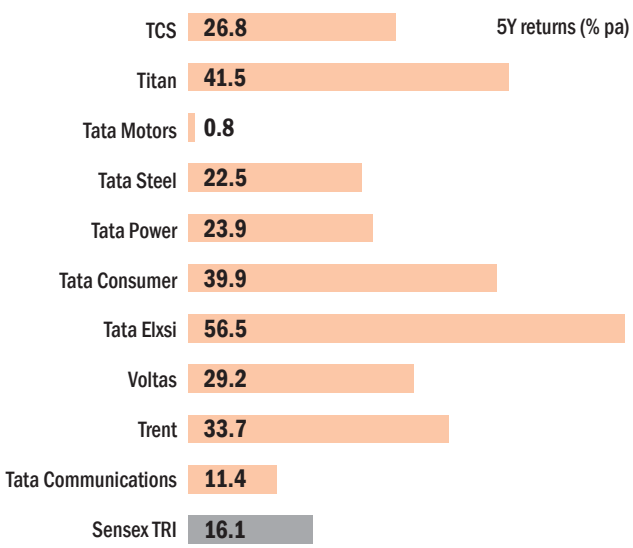


The company has also formed a joint venture with Foxconn for manufacturing semiconductor chips in India. In January, Vedanta said it had allocated $15 billion for manufacturing of displays and electronic chips. This is the first joint venture after the government announced a ₹76,000 crore PLI (production-linked incentives) scheme for semiconductors in December 2021.

Tata Sons chairman N Chandrasekaran reappointed for another 5 years

At its recent board meeting, the board members of Tata Sons unanimously approved the reappointment of N Chandrasekaran as the Executive Chairman for the next five years. Chandrasekaran (ex-CEO of TCS) was first made the Executive Chairman of Tata Sons in January 2017. Under his leadership, the group has seen multiple mergers and acquisitions (Bhushan Steel, BigBasket, Air India, reorganisation of chemical and consumer business, etc.). Tatas also exited the consumer mobililty business by selling it to Bharti Airtel. Apart from his role at Tata Sons, Chandrasekaran is also a director on the Board of the Reserve Bank of India and other educational and advisory councils.

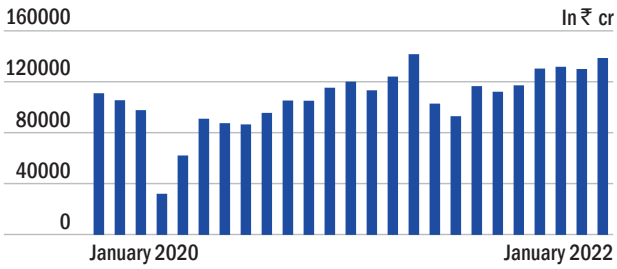
Performance of top Tata group stocks under Chandrasekaran



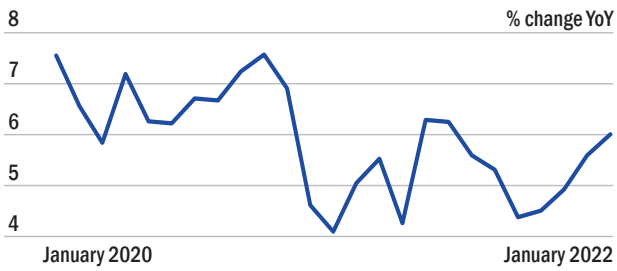
Data as on February 22, 2022. Returns inclusive of dividends.

ECONOMIC METRICS

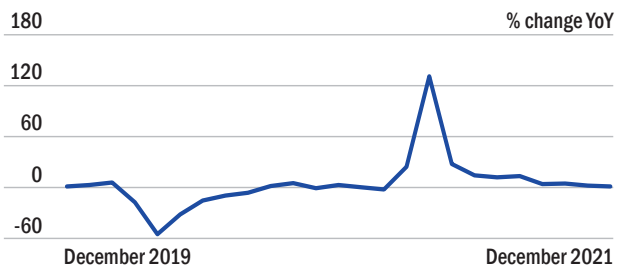
GST collection



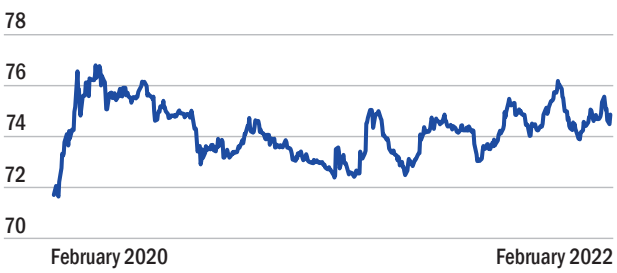
Inflation: Consumer Price Index



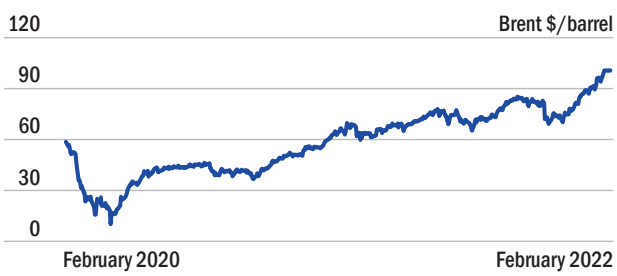
Industrial activity: Index of Industrial Production



INR vs USD



Crude oil



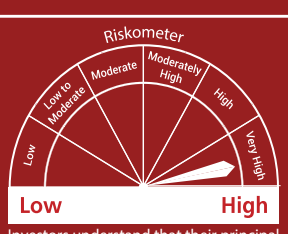
kotak Mutual Fund

Kotak Tax Saver Fund

An open-ended equity linked saving scheme that helps you save tax under Section 80C* and aims to generate long term capital appreciation.

* The individual is assumed to earn a taxable income of more than ₹ 5 Crore. The effective tax rate is 30% marginal tax + 37% surcharge on the tax rate + 4% Health and Education Cess = 42.74% i.e. highest marginal tax bracket. The individual is assumed to utilise the complete tax deduction limit of ₹150,000 per financial year under Section 80C of the Income Tax Act. This deduction is allowed to an individual or a HUF. This is only to illustrate the tax-saving potential of ELSS and is not tax advice. Please consult your tax consultant for tax purpose. This is applicable assuming the person is in the old tax regime. The Finance Bill 2020 has proposed a New Personal Tax Regime where most of the deductions/exemptions such as section 80C, 80D, etc., are to be foregone. This is, however optional.

www.kotakmf.com | Toll free Number : 18003091490 |



Investors understand that their principal will be at very high risk

KOTAK TAX SAVER FUND
(An open-ended equity linked saving scheme with a statutory lock-in of 3 years and tax benefits)

It is suitable for investors who are seeking*:

- Long term capital growth with a 3 year lock-in period.
- Investment in portfolio of predominantly equity & equity related securities.

*Investors should consult their financial advisor if in doubt about whether the product is suitable for them.

The above riskometer is based on the scheme portfolio as on 31st December 2021. An addendum may be issued or updated on the website for new riskometer.

10 stocks to profit from 10 key Budget announcements

1 PM Gati Shakti

Under the PM Gati Shakti scheme, highways will be expanded by 25,000 km in 2022–23. Besides, the allocation under the scheme has been increased to **₹19,000 crore** – a 36 per cent increase from the previous year. This incremental allocation is a part of the government's rural-development programmes. These plans will augur well for infrastructure companies.

BENEFICIARY IRB INFRASTRUCTURE

The company has extensive experience in the construction of roads and highways, with a portfolio comprising 23 road projects worth around **₹54,000 crore** as of FY21. On the other hand, the construction business accounted for around 70 per cent of its total revenue during the same period. Till Q3FY22, it won EPC (engineering, procurement and construction) contracts worth ₹7,200 crore.

2 Drone Shakti and a ban on drone import

With the 'Drone Shakti' scheme, the central government aims to incentivise start-ups engaged in drone manufacturing and other related solutions. Further, to promote the use of 'Kisan drones', which will be used for various agriculture-related purposes, an agri-tech fund will be introduced through NABARD. Moreover, to spur the domestic manufacturing of drones, a total ban has been imposed on their import.

BENEFICIARY RELIANCE INDUSTRIES

Through its subsidiary 'Reliance Strategic Business Ventures', the company has made significant investments in Asteria Aerospace, a drone-manufacturing start-up. In addition to manufacturing drones, the start-up provides an end-to-end drone-as-a-service solution to various sectors. Reliance Industries intends to become a key player in the drone industry and is likely to make more investments in Asteria Aerospace.

3 Har Ghar Nal Se Jal

Under the Jal Jeevan Mission, the central government has planned to provide piped tap water to 3.8 crore households in 2022–23, with an investment of **₹60,000 crore**. At present, the scheme covers around 8.7 crore households and out of them, 5.5 crore households have already received tap water.

BENEFICIARY FINOLEX INDUSTRIES

It is the largest manufacturer of PVC pipes, with a market share of 20 per cent in the organised space. The company is fully backward integrated, as it manufactures the primary raw material PVC resin and also generates revenue by selling it. The company's upcoming capacity expansion of PVC pipes, its extensive experience and manufacturing expertise are some positives.

4 Defence allocation for domestic players

The capital expenditure for the defence sector has been increased by 13 per cent to **₹5.25 lakh crore** for FY23. Out of this, 68 per cent will be allocated to

the domestic industry as against 58 per cent in FY22. In a bid to spur partnership with private players, a quarter of the defence R&D budget has been reserved for private players.

BENEFICIARY DATA PATTERNS (INDIA)

This vertically integrated defence and aerospace solutions provider boasts of over three decades of experience. Its products and sub-systems, which are manufactured in-house, cater to the entire manufacturing value chain, right from industrial and test automation to space systems and aerospace systems through DRDO. As of Q3FY22, it had pending orders worth **₹577 crore** – more than its revenue for the last 12 months and FY21.

5 PLI for manufacturing solar modules

The allocation under the production-linked incentive (PLI) scheme for manufacturing high-efficiency solar cells and modules has been increased from ₹4,500 crore to **₹24,000 crore** – an increase of a whopping 433 per cent. The move is in line with the government's goal to achieve 280 gigawatts of installed solar capacity by 2030. The imposition of basic customs duty on imported modules is a further boost for domestic manufacturers.

BENEFICIARY TATA POWER

Tata Power Solar Systems, the company's subsidiary, is India's largest integrated solar company. Apart from manufacturing solar modules and cells, it offers solar rooftop solutions and water pumps. Besides, it is also involved in providing EPC services for solar-power projects. The company contributed around 16.5 per cent to the operating revenue of Tata Power during April–December 2021.

6 Additional differential excise duty on unblended fuel

Starting from October 1, 2022, unblended fuel (i.e., fuel not blended with ethanol) will attract an additional excise duty of ₹2/litre. This move is in tune with the government's target of achieving 20 per cent ethanol blending with petrol by FY24. The government has been pushing for ethanol blending to reduce oil-import bills and the emission level.

BENEFICIARY PRAJ INDUSTRIES

A leader in bio-based technologies and engineering, it is involved in supplying ethanol plants. Recently, the company has announced the launch of its patented technology, which helps in preserving sugarcane juice for 12 months. Leveraging this technology, sugar mills can produce ethanol even during the off-season, thereby increasing their ethanol-production capacity.

7 400 new Vande Bharat trains

Over the next three years, 400 new semi-high-speed, next-generation Vande Bharat trains are planned to be introduced. These trains will be more energy-efficient and provide a better passenger experience. According to the FY22 Economic Survey, the railway sector will witness a high capital

expenditure in line with the government's aim of driving economic growth in the next 10 years.

BENEFICIARY SIEMENS

A subsidiary of Siemens AG of Germany, it is an industrial manufacturing and technology company. It focuses on infrastructure, digital transformation, transport, industry and the transmission and generation of electricity. In the railway segment, it is a leader in providing signalling, electrification and rolling-stock solutions.

8 Pradhan Mantri Awas Yojana

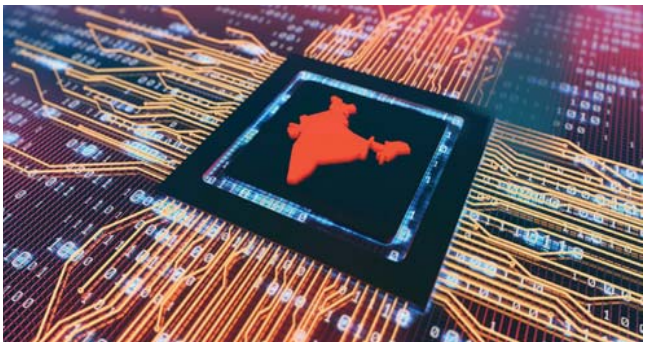
The allocation for affordable housing under Pradhan Mantri Awas Yojana was increased 75 per cent from ₹27,500 crore in FY22 to **₹48,000 crore** in FY23. This allocation, covering both the urban and rural areas, has a target of completing 80 lakh houses.

BENEFICIARY HDFC

One of the largest home-loan lenders in the country, it significantly lends to the affordable-housing segment. In the nine months of FY22, borrowers from the economically weaker section (EWS) or the low-income groups (LIG) constituted around 30 per cent of the total home loans approved by the company.

9 Data centres

The government has announced that the infrastructure status would be given to the nascent and fledgling data-centre industry. This is expected to make it easier for companies operating in this sector to raise long-term debt at favourable interest rates, thereby boosting the overall investment in the sector.



BENEFICIARY ADANI ENTERPRISES

This ports-to-energy conglomerate is all set to invest more than **₹4,600 crore** in two data centres based in Uttar Pradesh. Besides, the company is in the process of setting up data centres in Navi Mumbai, Pune, Hyderabad, Chennai and Visakhapatnam and has partnered with EdgeConnex Europe BV for the same.

10 5G spectrum auction

The government has clearly spelt out its intention to conduct the long-awaited auction of the 5G spectrum. With this, telecommunication companies will finally be able to roll out the 5G service, which promises faster speed and a better communication experience

BENEFICIARY STERLITE TECHNOLOGIES

The company, which is predominantly a fibre-optical-cable manufacturer, is well placed to benefit from this announcement. 5G networks will require a higher number of towers connected through optical-fibre cables to support the higher data load. So, the company is well-positioned to take advantage of an uptick in demand. **WI**

To get detailed financials of the stocks mentioned above, use the search bar at

www.valueresearchonline.com

MIRAE ASSET
Mutual Fund

Invest in

Mirae Asset Tax Saver Fund

ELSS Fund: An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit

PRODUCT LABELLING

Mirae Asset Tax Saver Fund is suitable for investors who are seeking*

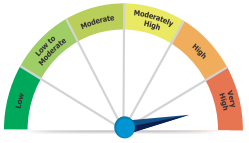
- Growth of capital over long term
- Invests predominantly in equity and equity related instruments: ELSS with a 3 year lock in period and tax benefits

*Investors should consult their financial advisors, if they are not clear about the suitability of the product.

Scheme Riskometer

Investors understand that their principal will be at Very High Risk

Scheme Benchmark: Nifty 500 (TRI)
Benchmark Riskometer



The Benchmark is at Very High Risk

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Quarterly result update

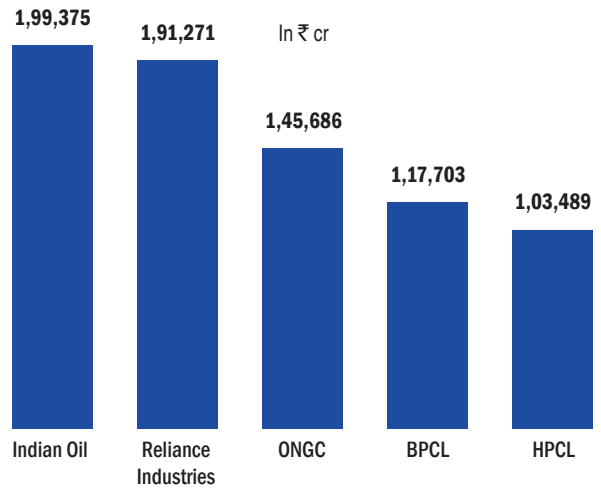
How various sectors have performed in Q3 FY22 in terms of revenue, profit and margins and which companies stand out

To find out which companies are included in each of the sectors, visit https://vro.in/stocks/selector/

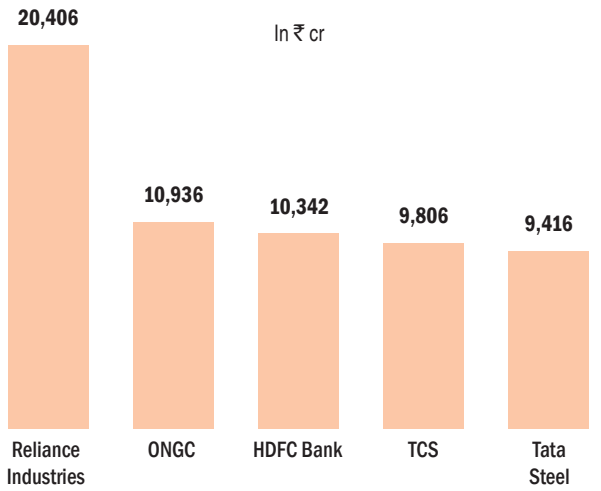
Sector	Revenue growth (%)		Operating profit growth (%)		PAT growth (%)		Change in median operating profit margin (% pt)	
	QoQ	YoY	QoQ	YoY	QoQ	YoY	QoQ	YoY
Automobile	10.0	1.6	13.3	-23.3	69.2	-46.6	-1.13	-3.50
Banking	3.3	3.5	5.9	9.8	22.5	63.5	0.21	0.28
Chemicals	7.8	35.5	16.0	14.4	20.8	29.8	0.41	-2.41
Communication	3.1	8.9	2.3	16.8	16.4	-56.9	-0.94	-3.80
Construction	8.8	10.3	-0.7	-7.3	7.4	-6.5	-3.56	-2.90
Consumer Durable	41.1	32.7	16.7	13.8	3.7	15.3	-1.78	-2.60
Diversified	10.9	38.2	33.1	45.0	65.8	28.4	-0.08	-0.79
Energy	14.8	39.2	12.7	29.2	4.2	48.7	1.02	-2.33
Engineering	0.7	18.8	6.9	6.7	19.3	2.8	0.87	-1.07
Financial	-4.1	0.2	4.6	23.3	3.3	21.0	-1.81	2.76
FMCG	6.1	19.6	4.0	12.2	2.1	13.5	-0.83	-2.43
Healthcare	0.5	9.5	8.5	3.6	24.7	-9.1	-0.69	-3.13
Insurance	3.6	17.9	–	–	-55.4	-47.9	–	–
Metals	5.4	44.3	-8.5	31.2	-19.5	45.9	-1.65	-1.99
Services	21.5	31.0	43.4	28.7	5.7	98.9	4.20	2.11
Technology	7.0	21.8	5.1	9.4	4.9	8.4	1.24	-1.51
Textiles	10.0	40.3	8.3	48.9	4.1	72.1	-0.79	0.96

For the banking sector, net interest income and net interest margin in place of operating profit and operating profit margin, respectively.
Q3 FY22 data available for 944 companies as on February 21, 2022. Min m-cap ₹1,000 cr.

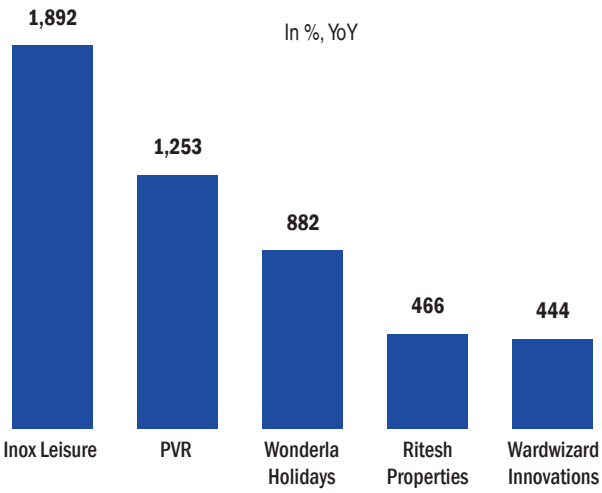
Top 5 companies by Q3 revenue



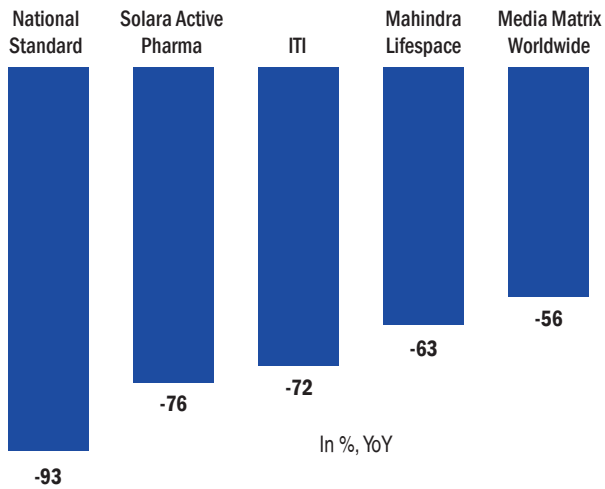
Top 5 companies by Q3 PAT



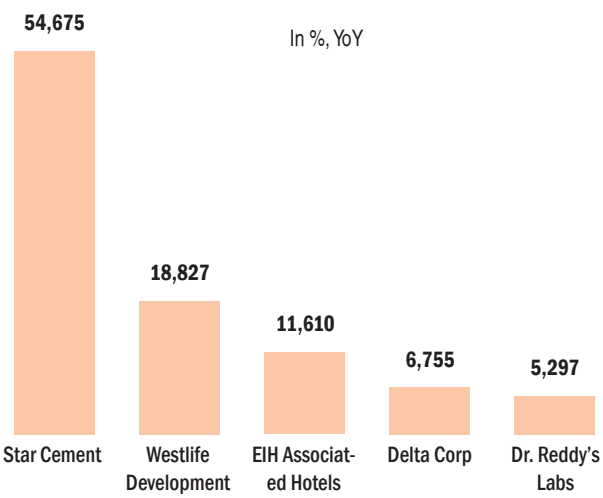
Top 5 companies by Q3 revenue growth



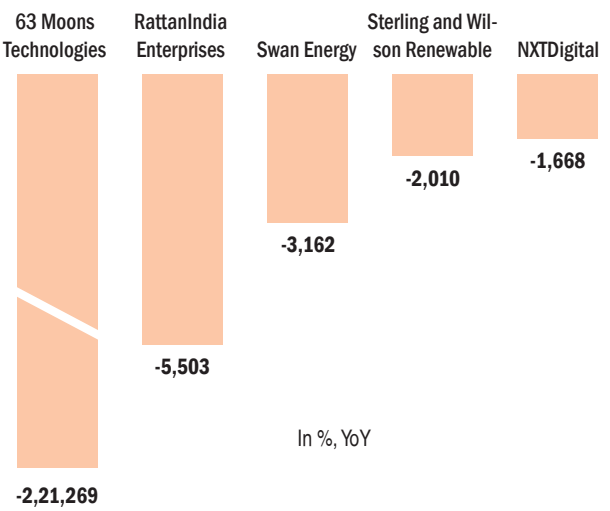
Bottom 5 companies by Q3 revenue contraction



Top 5 companies by Q3 PAT growth



Bottom 5 companies by Q3 PAT contraction



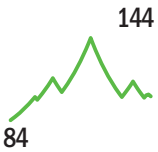
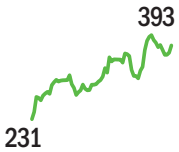
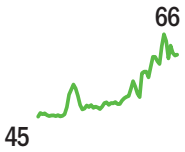
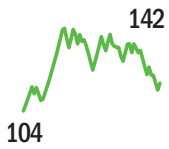
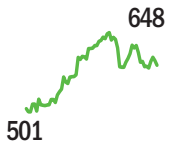
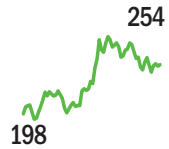
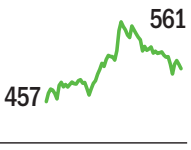
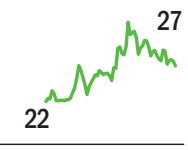
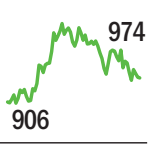
BIG MOVES

Large caps

	3M returns (%)	Price to earnings 3Y avg RoE (%)	Net profit (₹ crore) 3Y earnings growth (%)	3M price (₹) movement
Adani Green A profit increase of 17 per cent YoY in Q3 and ₹612 crore raised through NCD augured well.	47.6	676.3 -11.1	471 45.9	2,045 1,386
Adani Power Q3 profits increased by 176 per cent YoY and Shersingh B Khyalia was appointed as the new CEO.	24.0	180.1 -109.1	279 28.5	130 105
Cholamandalam Investment Price soared due to an increase of 29 per cent YoY in Q3 profits and its move to acquire Payswiff Technologies.	9.9	5.0* 17.7	1,713 13.0	673 612
Bank of Baroda Q3 net interest income and net profit increased by 14.4 and 111.1 per cent YoY, respectively.	9.3	0.7* 2.0	4,963 22.6	105 96
Bandhan Bank Stock surged after net profit and advances increased by 36 and 11 per cent YoY, respectively, in Q3.	4.4	3.3* 18.5	-1,674 24.6	319 306
Macrotech Developers Shares went down as the company announced its entry into the saturated Bangalore market.	-7.7	62.6 20.4	981 -60.8	1,271 1,377
Apollo Hospitals Although it entered into an MoU with the J&K government, its expensive valuation amidst falling markets put a dampener.	-19.5	56.8 7.5	1,160 31.9	5,558 4,472
MindTree Besides the ongoing volatility, an increase in the attrition rate to 22 per cent in Q3 took a toll on the stock.	-20.3	42.0 24.8	1,497 26.6	4,770 3,800
L&T Technology A 34 per cent increase in Q3 net profits YoY was below market expectations.	-22.1	52.9 29.6	893 6.7	5,703 4,441
Info Edge A massive sell-off in its portfolio companies Zomato and PB Fintech (Policybazaar) did not augur well.	-30.2	4.6 34.6	10,243 43.8	6,343 4,428

*Price to book value. Our large-cap universe has 104 large companies, making the top 70 per cent of the total market capitalisation. The list mentions the stocks that have fluctuated most wildly in the last three months. Data as on February 18, 2021.

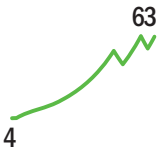
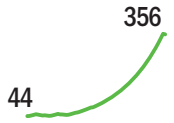
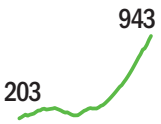
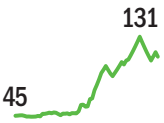
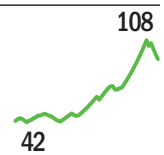
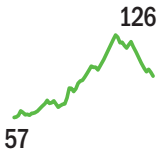
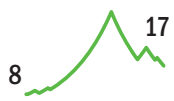
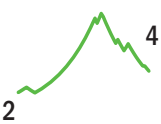
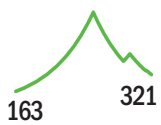
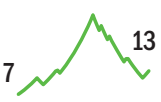
Mid caps

	3M returns (%)	Price to earnings 3Y avg RoE (%)	Net profit (₹ crore) 3Y earnings growth (%)	3M price (₹) movement
Tata Teleservices The government decided to withdraw its equity-conversion plan as the present value of its accrued interest was found to be only ₹195 crore.	71.7	— —	-1,223 11.0	
Elgi Equipments Its Q3 revenue and profits increased by 20 and 21 per cent YoY, respectively.	69.8	83.7 10.5	148 17.2	
TV18 Broadcast The company posted an all-time high operating profit of ₹355 crore	48.1	18.6 11.0	902 80.2	
Brightcom Group Its acquisition of MediaMint, foray into the digital-audio business and strong Q3 growth helped the price surge.	36.0	20.4 15.4	829 5.9	
KPR Mills The stock touched an all-time high after the company's Q3 revenue and profits grew by 36 per cent YoY.	29.2	27.7 21.7	808 35.9	
Poonawalla Fincorp Its Q3 profit increased by 717 per cent YoY and it divested its general insurance business.	28.5	3.3* -3.0	-391 -209.7	
KPIT Technologies Its partnership with dSPACE GmbH to offer smart EV-charging solutions and a 64 per cent increase in Q3 profit worked well.	22.8	64.5 13.1	243 117.0	
Alok Industries Shares surged after Q3 revenue and profits increased by 77 and 100 per cent YoY, respectively.	20.3	— —	-681 19.2	
Minda Industries Its joint venture with FRIWO, a global manufacturer of power-supply units, to manufacture electric-vehicle components boosted the stock.	7.5	78.8 13.8	363 -1.4	
Indiamart The company has been accused of selling counterfeit goods by the Office of the US Trade Representative.	-35.8	49.9 34.1	304 72.8	

Our mid-cap universe has 238 mid-sized companies, making the next 20 per cent of the total market capitalisation. The list mentions the stocks that have fluctuated most wildly in the last three months. Data as on February 18, 2021.

BIG MOVES

Small caps

	3M returns (%)	Price to earnings 3Y avg RoE (%)	Net profit (₹ crore) 3Y earnings growth (%)	3M price (₹) movement
Vegetable Products A reduction in the import duty of edible oil and an increase in global commodity prices drove the stock.	1,438.4	— -1.4	-0.3 -231.6	
Magellanic Cloud Its Q3 revenue and profits increased by 26 and 153 per cent YoY, respectively.	702.0	25.5 11.3	32.2 73.0	
White Organic Retail The company reported an increase in Q3 revenue and profits by 269 and 979 per cent YoY, respectively.	365.3	158.2 5.2	6.5 -56.8	
Sadhana Nitro Chem The board considered the issue of convertible warrants to raise ₹100 crore.	194.2	150.7 42.4	17.0 -20.0	
DB Realty Rakesh Jhunjhunwala picked 20 million convertible warrants in its ₹563 crore issue.	154.2	— -14.2	-532.4 14.1	
Virinchi Q3 profits rose by 575 per cent YoY and the board decided to increase authorised capital from ₹100 crore to ₹150 crore.	121.3	40.3 12.0	12.6 -37.3	
Urja Global The appointment of a new CFO following the arrest of the previous one lifted the stock.	111.6	477.5 0.6	2.0 58.8	
FCS Software Solutions The stock gained amid the market momentum and then corrected.	102.7	— -27.7	-15.6 21.7	
Automotive Stamping & Assemblies Q3 revenue and profits increased by 45 and 110 per cent YoY, respectively.	96.7	— —	-8.2 15.6	
Orient Green Q3 revenue and profits increased by 61 and 129 per cent YoY, respectively.	85.7	39.6 -5.8	37.5 30.8	

Our small-cap universe (minimum market capitalisation ₹500 crore) has 929 small-cap companies, making the last 10 per cent of the total market capitalisation. The list mentions the stocks that have fluctuated most wildly in the last three months. Data as on February 18, 2021.

S&P BSE Realty

The reopening of the economy has proved to be beneficial for the real-estate sector. The Realty index has risen smartly over the last one and half years. However, lately it has also seen a steep correction, probably due to rising interest rates worldwide. In terms of P/B and P/E, the index is trading at a premium to its five-year median. In terms of dividend yield, it is below the median.

Key numbers

53.6
Price to earnings

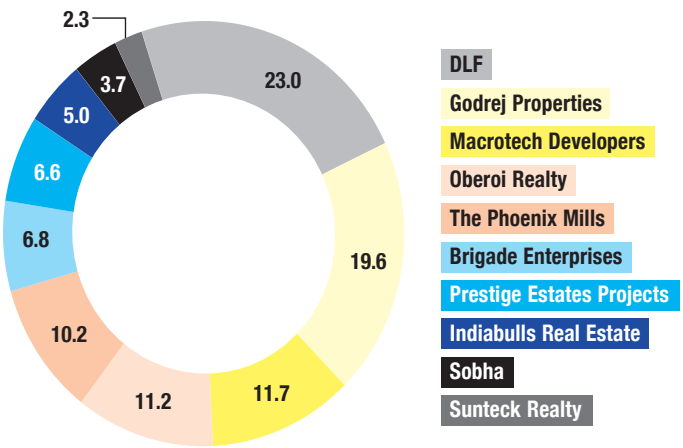
3.2
Price to book

0.21
Dividend yield (%)

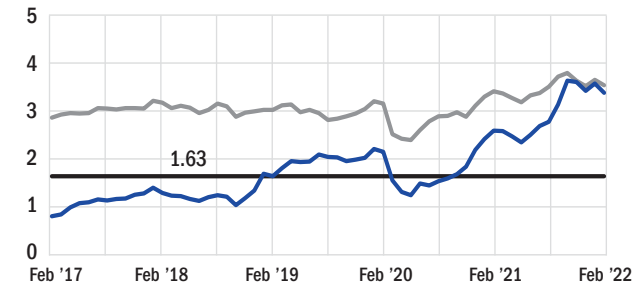
2.76
Market cap (₹ lakh cr)

Index movement

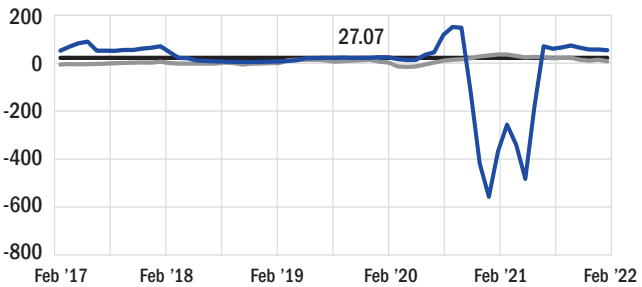
Index weights (%)



Price to book value (P/B)



Price to earnings (P/E)

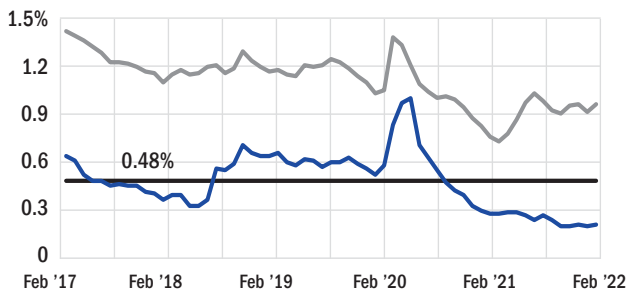


Valuations, dividends and returns

Company name	P/B	P/E	Dividend yield (%)	1Y return (%)
Brigade Enterprises	4.0	126.4	0.2	76.1
Sobha	2.9	64.9	0.5	65.9
Oberoi Realty	3.3	29.4	0.0	56.2
Prestige Estates Projects	2.6	11.4	0.3	49.5
Indiabulls Real Estate	1.4	280.4	0.0	34.4
Sunteck Realty	2.3	162.2	0.3	26.5
The Phoenix Mills	3.1	88.7	0.1	21.5
DLF	2.4	54.9	0.6	15.5
Godrej Properties	5.2	0.0	0.0	4.4
Macrotech Developers	5.4	62.5	0.0	189.9*

*Returns since listing. Data as on February 21, 2021.

Dividend yield



Value Research
Stock Advisor
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Stop paying attention to indexes

New stock investors tend to pay a lot of attention to the ups and downs of indexes. They soon learn that those may not be reflective of what happens with their own stocks.

Dhirendra Kumar

Stop paying attention to the indexes – they don't matter to your stocks. While all experienced equity investors eventually reach this conclusion, the realisation comes after some time. It feels quite counter-intuitive. Surely, if everyone talks about the Sensex and the Nifty every day, then they must be the most important thing for investors, isn't it?

Let's look at what has been happening in the equity markets for some weeks now. The freshers' class of equity investors – those who have joined this college within the last two years and of which there is now a large number – has been going through a hard time. The markets have decided to subject them to a hard bout of ragging. Of course, they had stories that all this was bound to happen at some time, but stories are one thing and first-hand experience is quite another.

So, from being a fresher, how does one discover the irrelevance of stock indexes? Here's how that happens. Before you become an investor, all your knowledge of the markets generally comes from the media. Since you are not an investor, all you pay attention to are the headlines. Much of these are obsessed with the indexes – specifically, the headline large-cap indexes like the Sensex and the Nifty. Subconsciously, non-investors

get this impression that these are important numbers and every day, an investor has a good or a bad day depending on whether the Sensex and the Nifty went up or down.

Then they start investing and discover that the story is something else. Except for the small proportion who are investing through passive funds or derivatives based on these indexes, the reality is that all that matters is your stocks. Take what happened on February 14, 2022. The Sensex crashed by 3 per cent, which is 1,748 points, a fairly large descent for a day. The next day, the 15th, it recovered almost exactly to the point from where it had fallen. As far as the headlines go, the story was over. Fell 1,748 points one day, rose 1,737 the next.

However, in the realm of individual stocks, it was quite different. Looking at just the 200 largest stocks in India, around 140 of them did not manage to return to the same level. Around half of them were more than 1 per cent down after this putative 'recovery' from the one-day crash. Fully one-fourth of this sample ended up more than 3 per cent down after the one-day recovery was over. The strange thing is that freshers try to take comfort from the rise of the indexes, even if their stocks are going down. The attitude I hear is that since the markets are 'good', surely the stocks will recover sooner rather than later. This can be made to sound logical but is based more on hope than reality.

In a way, a phrase like this is a necessary part of the education for new investors. When markets are shaky, and money is not flowing in, then the good, the bad and the ugly get differentiated. It matters not one bit whether the Sensex and the Nifty are going up or not. That matters only to the headline writers.

However, we investors would like to be invested in stocks that converge with the indexes when the markets are good and diverge when the markets are bad. Again, to the fresher, this seems like wishful thinking, but it's not. The indexes are averages and there are always stocks that do better than the mean, as my example above shows. The question is, how do you locate these stocks with confidence and a high degree of success?

As I'm now fond of saying, that's where Value Research comes in. Specifically, that's where our Stock Advisor service comes in.

I'll give a quick primer for those of you who have not yet paid attention to this service: Value Research Stock Advisor is exactly what the name says. It advises you on which stocks to buy. Our research team maintains a list of stocks that you should invest in. You invest in them and make money. At any point, we also carry a shorter list of 'Best Buys Now' stocks for those who are beginning at that point. When any of the stocks are no longer investment-worthy, we advise you to sell them. What could be simpler?

At any point, we also carry a shorter list of 'Best Buys Now' stocks for those who are beginning at that point

The list is an input which you can use as is, or as a shortlist for further research, the tools for which we also provide you. One such additional tool is our Stock Screener, which is a unique system unlike anything else available in India. You also get detailed financials of every listed Indian company, not just the ones on our recommended list. Of course, our team also supplies you with updated guidance on all the stocks on our list, including the rationale for investing or disinvesting.

All in all, this is what you get:

- Access to all our (currently 52) stock picks
- Best Buy Stocks: 18 stocks selected from our recommendations. Use this set to start building your portfolio right away!
- The complete investment thesis for all recommended stocks to understand why you are investing.
- New recommendations as soon as they are released
- Continuous updates and analysis on all recommended stocks straight from our dedicated analyst team
- Tools and data to research and analyse any other stock

So, stop paying attention to the headlines and head over to www.valueresearchstocks.com. **WI**

The indexes are averages and there are always stocks that do better than the mean. The question is, how do you locate these stocks with confidence and a high degree of success? That's where Value Research Stock Advisor comes in.

Value Research Stock Advisor is a premium service where you get promising stocks along with their full analyses. We also actively track the underlying companies for you and keep you posted on the major developments in them, including when to sell a stock. Additionally, members get exclusive access to a range of tools and data which they can use to study any other stock. You can subscribe to the service at **www.valueresearchstocks.com.**

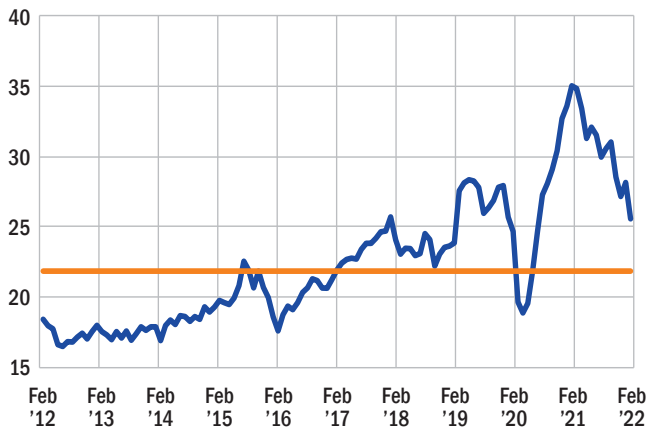
Market barometer

Here are some charts that will help you make sense of the current market in terms of valuations and return potential

Sensex's movement

The Sensex is the most convenient indicator to tell the state of the Indian market. The 10-year graph presented alongside shows the secular run in the markets. However, this rally was punctuated by several bearish phases. The most prominent ones include the following: a bear market driven by weakening economic fundamentals in 2011, Chinese growth concerns in 2015, demonetisation blues in 2016, and the sell-off in 2018 due to US–China trade war and rise in US interest rates. Lately, the markets have sharply recovered from the COVID-19 shock.

Sensex's price to earnings

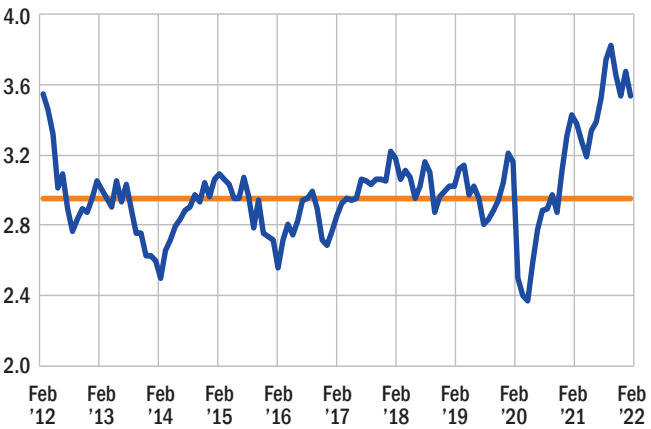


The price-to-earnings ratio of the Sensex is a simple market-valuation ratio. A general guideline to help understand the valuation is:

P/E > 24	=	Dangerously overvalued
P/E > 20 < 24	=	Overvalued
P/E > 16 < 20	=	Fairly valued
P/E > 12 < 16	=	Undervalued
P/E < 12	=	Highly undervalued (mouthwatering valuations)

This graph is based on standalone data of Sensex companies. If one takes the consolidated data, the P/E will likely be lower.

Sensex's price to book value



The price-to-book-value ratio tells us how many times an investor is ready to pay for a rupee of net assets.

Since book value is stable and less volatile than earnings, some consider it better than the P/E as a measure of valuation.

If

P/B > Median P/B = Overvalued
P/B < Median P/B = Undervalued

Sensex's dividend yield

Max 1.80
Median 1.27
Current 0.95
Min 0.72

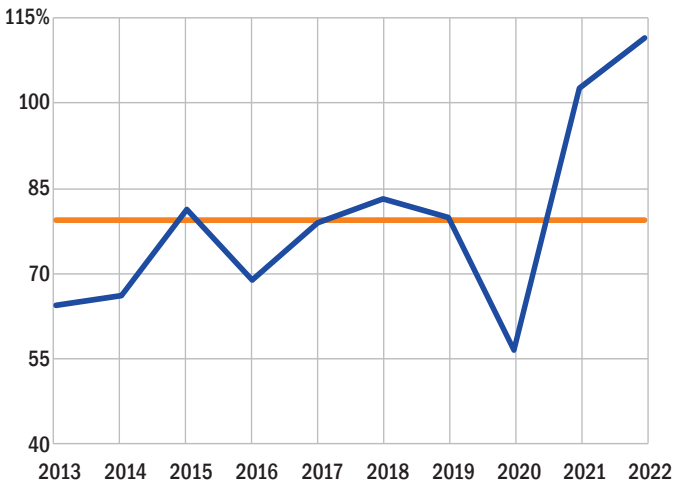
Dividend yield is nothing but the return an investor gets in the form of dividend on his investment. It is measured as dividend per share divided by price per share.

Generally speaking, when stocks are cheap, dividend yields are high.

If

Dividend yield > Median dividend yield = Undervalued
Dividend yield < Median dividend yield = Overvalued

Market cap to GDP



Max 112
Current
Median 79
Min 56

This measure is Buffett's personal favourite. He said, "It is probably the single best measure of where valuations stand at any given moment."

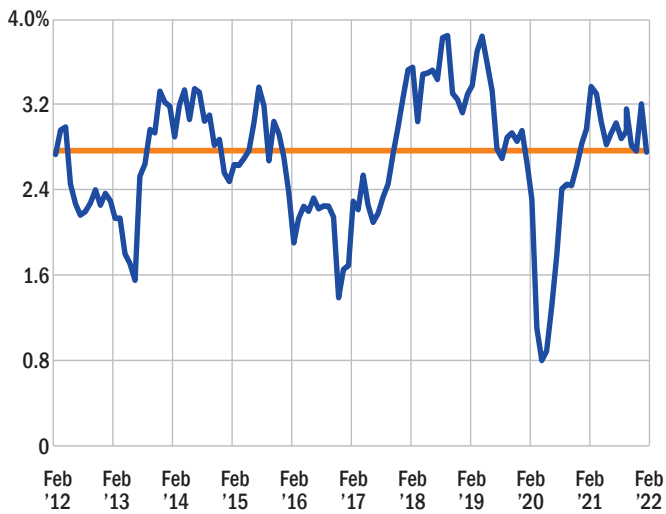
Here we have considered the market capitalisation of all the listed companies on the BSE.

If

Market cap > GDP = Overvalued
Market cap < GDP = Undervalued

Considering market cap of all the listed companies on the BSE and advanced estimate of FY22 nomial GDP

10Y G-sec yield vs Sensex's earnings yield



Max 3.87
Current 2.76
Median 2.78
Min 0.79

The spread between G-sec yield and Sensex's earnings yield is another valuation measure. G-sec yield is the yield of the 10-year government bond. Sensex's earnings yield is the inverse of the Sensex's P/E ratio. The greater the deviation from the median in either direction, the greater the degree of overvaluation or the undervaluation of the Sensex.

If

Spread > Median = Overvalued
Spread < Median = Undervalued

All data as on February 18, 2022.

Institutional moves

Top five companies across market caps in which mutual funds and foreign institutions have significantly changed their holdings (in terms of per cent of equity) between September 2021 and December 2021

Increase in stake

Mutual funds

Large caps

Company name	Sector	Dec '21	Sep '21	Change (% pt)
Axis Bank	Bank	22.6	19.6	3.0
ICICI Lombard	Insurance	11.3	8.8	2.5
IndusInd Bank	Bank	12.1	10.2	1.9
Ambuja Cements	Cement	6.6	5.3	1.3
Mahindra & Mahindra	Automobiles	12.4	11.1	1.3

Mid caps

Company name	Sector	Dec '21	Sep '21	Change (% pt)
Max Healthcare	Healthcare	15.6	8.6	7.0
Zee Entertainment	Media	12.2	7.3	4.9
Ipca Laboratories	Healthcare	26.1	21.8	4.3
Kajaria Ceramics	Const. Materials	13.8	11.6	2.2
APL Apollo Tubes	Iron & Steel	6.7	4.6	2.1

Small caps

Company name	Sector	Dec '21	Sep '21	Change (% pt)
Gokaldas Exports	Textile	26.2	10.1	16.1
Vijaya Diagnostic	Healthcare	13.3	6.9	6.4
Kalpataru Power	Infrastructure	31.4	25.6	5.8
Zensar Technologies	IT	13.6	9.4	4.2
Kirloskar Oil Engines	Capital Goods	13.5	9.3	4.2

FIIs

Company name	Sector	Dec '21	Sep '21	Change (% pt)
Macrotech Developers	Realty	15.3	8.7	6.6
Bharat Electronics	Capital Goods	17.2	15.7	1.5
Page Industries	Textile	25.1	23.7	1.4
GAIL	Industrial Gases	19.7	18.4	1.3
Tata Motors	Automobiles	14.6	13.4	1.2

Company name	Sector	Dec '21	Sep '21	Change (% pt)
IRB Infra	Infrastructure	48.2	13.3	34.9
Supreme Industries	Plastic Products	16.2	10.4	5.8
Route Mobile	IT	19.8	15.1	4.7
CAMS	IT	30.4	26.5	3.9
HFCL	Telecom	7.2	4.0	3.2

Company name	Sector	Dec '21	Sep '21	Change (% pt)
EIH Associated Hotels	Hospitality	13.3	0.0	13.3
Deepak Fertilisers	Chemicals	12.0	1.6	10.4
Gokaldas Exports	Textile	12.4	4.6	7.8
Saregama	Media & Ent.	16.6	9.5	7.1
KBC Global	Realty	18.4	12.1	6.3

Decrease in stake

Mutual funds

Large caps

Company name	Sector	Dec '21	Sep '21	Change (% pt)
IRCTC	Hospitality	0.5	4.8	-4.3
Tata Power	Power	4.5	8.3	-3.8
Vedanta	Non-Ferrous Metals	1.2	3.4	-2.2
Bharat Electronics	Capital Goods	22.6	24.4	-1.8
SRF	Diversified	9.0	10.2	-1.2

Mid caps

Company name	Sector	Dec '21	Sep '21	Change (% pt)
IRB Infra	Infrastructure	1.6	5.6	-4.0
IEX	Power	12.4	15.9	-3.5
Amara Raja Batteries	Automobiles	3.0	5.8	-2.8
CAMS	IT	6.1	8.9	-2.8
Tata Chemicals	Chemicals	6.1	8.3	-2.2

Small caps

Company name	Sector	Dec '21	Sep '21	Change (% pt)
Just Dial	Miscellaneous	3.5	7.9	-4.4
Kewal Kiran Clothing	Textile	6.0	9.8	-3.8
ITD Cementation	Infrastructure	13.0	15.3	-2.3
Equitas Holdings	Finance	32.9	35.1	-2.2
RBL Bank	Bank	13.7	15.8	-2.1

FIIs

Company name	Sector	Dec '21	Sep '21	Change (% pt)
Adani Power	Power	11.0	16.7	-5.7
HDFC AMC	Finance	10.5	14.6	-4.1
Axis Bank	Bank	47.4	51.4	-4.0
IndusInd Bank	Bank	47.7	51.4	-3.7
SBI Cards	Finance	10.3	13.1	-2.8

Company name	Sector	Dec '21	Sep '21	Change (% pt)
IEX	Power	31.0	37.7	-6.7
Ipca Laboratories	Healthcare	12.3	18.5	-6.2
PVR	Media	31.9	37.8	-5.9
Graphite India	Capital Goods	6.3	11.7	-5.4
Zee Entertainment	Media	52.2	57.2	-5.0

Company name	Sector	Dec '21	Sep '21	Change (% pt)
Cerebra Integrated	Trading	0.3	17.4	-17.1
Just Dial	Miscellaneous	3.4	16.6	-13.2
Kewal Kiran Clothing	Textile	1.3	9.5	-8.2
Sequent Scientific	Healthcare	6.4	14.1	-7.7
Bajaj Consumer Care	FMCG	18.8	24.4	-5.6

Top 10 holdings of mutual funds

Company name	Sector	Market cap (₹ cr)	% of equity held	Amount invested (₹ cr)
Equitas Holdings	Finance	3,956	32.9	1,303
City Union Bank	Bank	9,910	32.8	3,253
Federal Bank	Bank	21,106	32.6	6,876
KNR Constructions	Infrastructure	8,683	32.2	2,795
Kalpataru Power	Infrastructure	5,688	31.4	1,788
CG Consumer	Consumer Durables	23,858	31.1	7,410
Greenply Industries	Const. Materials	2,357	30.5	719
DCB Bank	Bank	2,583	28.6	738
ICICI Bank	Bank	5,39,132	28.2	1,52,035
Ahluwalia Contracts	Realty	2,591	27.8	721

M-cap as on February 15, 2022. Other data as of December 2021.

Top 10 holdings of FIIs

Company name	Sector	Market cap (₹ cr)	% of equity held	Amount invested (₹ cr)
HDFC	Finance	4,23,876	72.1	3,05,784
Shriram Transport	Finance	32,798	53.2	17,432
Apollo Hospitals	Healthcare	67,087	52.4	35,160
Zee Entertainment	Media	25,708	52.2	13,422
IRB Infra	Infrastructure	16,480	48.2	7,947
IndusInd Bank	Bank	75,173	47.7	35,820
Axis Bank	Bank	2,44,417	47.4	1,15,951
ICICI Bank	Bank	5,39,132	45.3	2,44,227
Sansera Engineering	Automobiles	3,474	43.2	1,502
Kotak Mahindra Bank	Bank	3,59,644	42.1	1,51,266

Change in promoter stake

Companies that have seen a rise or decline in promoter stake in Q3 FY22

Many investors track the change in promoter holding. A significant rise in promoter holding may mean that the promoter is bullish about his company. On the other hand, a significant fall in promoter stake is taken as a negative development. However, while tracking the change in promoter stake, one should also be mindful that promoter holdings can be impacted by corporate actions also. For instance, a rights issue, a merger, a reclassification of promoter can all cause the reported promoter holding to change. Hence, dig deeper into the following companies to make sense of the change in promoter stake. **WI**

Rise in promoter stake

Companies where the promoter stake in the previous quarter was at least 25 per cent and has risen by at least 3 percentage points

Company name	Sector	M-cap (₹ cr)	Promoters' stake (%)		Increase in promoter holdings (% pt)	3M return (%)
			Dec-21	Sep-21		
Just Dial	Miscellaneous	7,000	77.7	51.7	26.0	-17.2
Ritesh Properties	Realty	1,206	70.3	52.5	17.8	101.9
JSW Holdings	Finance	4,448	66.3	61.4	4.9	-11.6
Sterling and Wilson Renewable	Infrastructure	6,892	74.1	69.4	4.7	-4.3
Best Agrolife	Chemicals	2,261	45.4	40.8	4.6	27.7
Vedanta	Non-Ferrous Metals	1,38,187	69.7	65.2	4.5	18.5
RHI Magnesita	Capital Goods	8,398	70.2	66.5	3.7	3.5
Kesoram Industries	Diversified	1,409	49.2	46.0	3.2	-3.7
Healthcare Global	Miscellaneous	3,245	71.4	68.4	3.0	-3.0

M-cap more than ₹1,000 crore as on February 15, 2022. Returns as of December 2021.

Fall in promoter stake

Companies where the promoter stake in the previous quarter was at least 25 per cent and has fallen by at least 3 percentage points

Company name	Sector	M-cap (₹ cr)	Promoters' stake (%)		Decrease in promoter holdings (% pt)	3M return (%)
			Dec-21	Sep-21		
IRB Infra	Infrastructure	16,480	34.0	58.5	-24.5	11.6
Fairchem Organics	Chemicals	2,249	58.9	74.1	-15.2	-9.6
Gokaldas Exports	Textile	2,255	24.1	32.7	-8.6	66.3
CAMS	IT	11,870	23.8	31.0	-7.2	-12.1
JTL Infra	Iron & Steel	1,460	56.0	62.5	-6.5	18.4
Escorts	Automobiles	22,582	30.3	36.6	-6.3	28.8
Macrotech Developers	Realty	59,389	82.2	88.5	-6.3	16.4
Saregama	Media & Ent.	8,054	57.6	63.8	-6.2	46.7
JK Cement	Const. Materials	24,351	51.5	57.6	-6.1	9.3
LG Balakrishnan & Bros	Automobiles	2,002	34.3	40.1	-5.8	45.0
Deepak Fertilisers	Chemicals	6,773	47.6	53.1	-5.5	-8.5
Route Mobile	IT	10,166	60.0	65.1	-5.1	-8.7
Tilaknagar Industries	Alcohol	1,120	44.2	48.9	-4.7	136.3
PCBL	Chemicals	4,127	51.4	55.7	-4.3	-9.3
Poonawalla Fincorp	Finance	19,333	68.3	72.5	-4.2	34.5
Jammu & Kashmir Bank	Bank	3,531	70.1	74.2	-4.1	-4.0
Thangamayil Jewellery	Diamond & Jewellery	1,548	66.7	70.3	-3.6	23.9
Shilpa Medicare	Healthcare	4,110	50.0	53.3	-3.3	-3.7
Yasho Industries	Chemicals	2,135	70.8	74.1	-3.3	39.6
Datamatics Global Services	IT	1,678	71.3	74.3	-3.0	1.2

M-cap more than ₹1,000 crore as on February 15, 2022. Returns as of December 2021.

Pledging tracker

Companies that have seen a rise or decline in promoter pledging in Q3 FY22

Promoter pledging is an important analytical parameter. When promoters pledge shares, they keep shares as collateral with a financial institution, such as a bank, to raise money. It's just like mortgaging something for money.

Pledging is not always bad. Many times promoters pledge their stake for sound business reasons and later release their pledged shares. But pledging takes an ugly turn when the pledged stake is high and the promoter is unable to pay back the dues. This may force the financing institution to sell the pledged stake, which can result in a sudden fall in the stock price and the dilution of promoter stake in the company.

A high pledged stake also indicates a bad management. Investors should stay away from companies that have high levels of pledging. **WI**

Increase in pledging

Companies in which promoter pledging has gone up by 10 percentage points and the minimum promoter stake is 25 per cent

Company name	Sector	M-cap (₹ crore)	Pledged stake (%) Dec-21	Pledged stake (%) Sep-21	Increase in pledging (% pt)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt to equity
Deepak Fertilisers	Chemicals	6,773	92.8	30.3	62.5	47.6	-8.5	2.7	8.0	0.9
Max Healthcare	Healthcare	36,060	42.7	0.0	42.7	60.7	22.6	15.5	5.0	0.2
Indian Hume Pipe	Infrastructure	1,010	26.8	0.0	26.8	69.9	-3.2	1.9	7.0	0.9
Solara Active Pharma	Healthcare	2,221	29.4	13.6	15.8	39.5	-36.3	3.5	7.0	0.4
Strides Pharma	Healthcare	3,265	37.8	26.0	11.8	29.6	-24.1	1.8	8.0	0.8
Sagar Cements	Const. Materials	2,969	10.9	0.0	10.9	50.3	-8.3	3.0	6.0	0.7

Min m-cap ₹1,000 crore. For explanation of Z-score and F-score, see the key terms in the 'Stock Screen' section of this magazine. M-cap as on February 15, 2022. Returns as of December 2021.

Decrease in pledging

Companies in which promoter pledging has come down by 10 percentage points and the minimum promoter stake is 25 per cent

Company name	Sector	M-cap (₹ crore)	Pledged stake (%) Dec-21	Pledged stake (%) Sep-21	Decrease in pledging (% pt)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt to equity
Sandur Manganese	Mining	2,312	0.0	53.1	-53.1	73.2	42.7	4.0	6.0	0.4
Khaitan Chemicals	Chemicals	1,040	0.7	52.2	-51.5	75.0	9.3	6.5	9.0	0.5
Filatex India	Textile	2,821	0.0	33.2	-33.2	65.2	-6.6	4.0	7.0	0.8
Kesoram Industries	Diversified	1,409	28.8	45.8	-17.0	49.2	-3.7	1.1	7.0	10.2
Sterling & Wilson Renewable	Infrastructure	6,892	48.2	60.9	-12.7	74.1	-4.3	2.7	5.0	0.7
HFCL	Telecom	10,916	0.0	11.2	-11.2	39.2	10.1	6.6	3.0	0.5
NRB Bearings	Automobiles	1,340	1.2	11.3	-10.1	49.8	13.7	2.7	8.0	0.5

Min m-cap ₹1,000 crore. For explanation of Z-score and F-score, see the key terms in the 'Stock Screen' section of this magazine. M-cap as on February 15, 2022. Returns as of December 2021.

Tracking IPOs

Here is how the S&P BSE IPO index has performed over the last one year and how the biggest IPOs have fared

HIGHEST LISTING-DAY GAIN
Paras Defence
171.4%

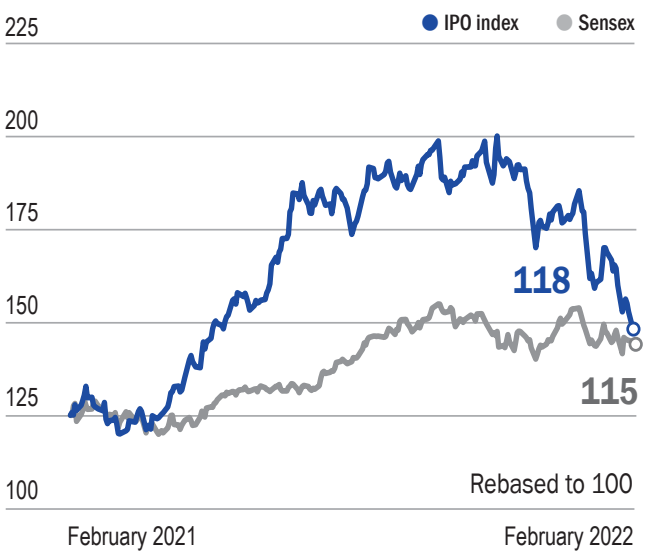
HIGHEST LISTING-DAY LOSS
Shriram Properties
-20.3%

HIGHEST POST-LISTING GAIN
Macrotech Developers
189.9%

HIGHEST POST-LISTING LOSS
CarTrade Tech
-64.9%

IPO index vs the Sensex

The IPO index has corrected significantly over the last couple of months.



HIGHEST SUBSCRIBED IPO
Latent View Analytics
326.5 TIMES

LOWEST SUBSCRIBED IPO
Star Health
0.8 TIMES

BIGGEST IPO
One97 Communications
₹18,300 cr

TOTAL SUM RAISED
₹1,13,813 cr

Top IPOs by issue size

New-age start-up listings have seen a steep correction amid the global tech sell-off

Company name	Listing date	Subscription ratio	Issue size (₹ cr)	Issue price (₹)	List price (₹)	Current price (₹)	Listing gain (%)	Change post listing (%)	Sensex change (%)	Current P/E
One97 Communications (Paytm)	18-Nov-21	1.9	18,300	2,150	1,955	807	-9.1	-58.7	-3.3	–
Zomato	23-Jul-21	38.3	9,375	76	115	82	51.3	-29.1	8.9	–
Star Health	10-Dec-21	0.8	6,401	900	849	726	-5.7	-14.5	-1.9	–
PB Fintech (Policybazaar)	15-Nov-21	16.6	5,952	980	1,150	727	17.3	-36.8	-5.0	–
Sona BLW	24-Jun-21	2.3	5,550	291	302	656	3.9	117.0	9.5	177.9
Nuvoco Vistas	23-Aug-21	1.7	5,000	570	471	354	-17.4	-24.9	3.8	–
Chemplast Sanmar	24-Aug-21	2.2	3,850	541	525	501	-3.0	-4.6	3.1	19.4
Vedant Fashions	16-Feb-22	2.6	3,149	866	936	880	8.1	-6.0	-0.5	160.6
CarTrade Tech	20-Aug-21	20.3	2,999	1,618	1,600	562	-1.1	-64.9	4.3	28.7
FSN E-Commerce Ventures (Nykaa)	10-Nov-21	81.8	2,980	1,125	2,001	1,328	77.9	-33.7	-4.4	–
Adani Wilmar	08-Feb-22	17.4	2,819	230	221	327	-3.9	48.1	-0.2	59.2
Aptus Value Housing Finance	24-Aug-21	17.2	2,780	353	330	349	-6.5	5.8	3.1	6.2*
Aditya Birla Sun Life AMC	11-Oct-21	5.2	2,768	712	712	510	0.0	-28.4	-4.1	28.0
Macrotech Developers	19-Apr-21	1.4	2,500	486	439	1,273	-9.7	189.9	20.3	62.5
Sapphire Foods	18-Nov-21	6.6	2,073	1,180	1,311	1,327	11.1	1.2	-3.3	–

Price data as on February 21, 2021. *Price to book value

COVER STORY

RISING RATES, FALLING MARKETS

WHAT SHOULD YOU DO NOW?

By Arul Selvan, Karthik Anand Vijay, Udhayaprakash

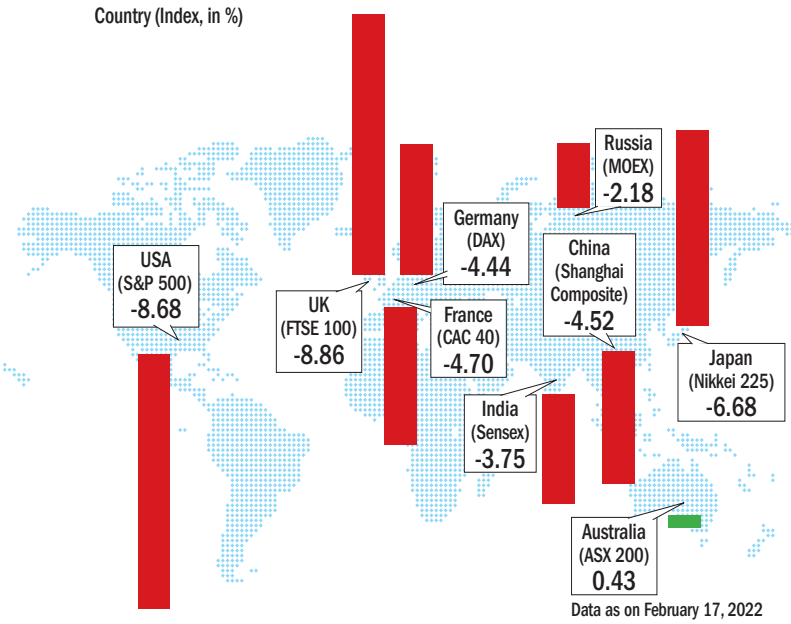
'Interest rates are set to rise and the markets have started to fall'. If you have been following the markets lately, you would have probably come across this statement. For many investors, this confluence of economics and the stock market is difficult to understand. Why should the markets fall if interest rates rise? What if they keep on rising? Will the markets keep tumbling? Who is raising the rates and why now, when the markets were amidst a raging bull run? Why spoil the party?

In this no-nonsense story, we answer all your queries regarding interest rates, without getting into the minutiae of the dismal science that economics is known to be. So, if you have been anxious about the increased volatility lately, worry no more. With this essential guide, you will know exactly what to do and what not to.

Why have the world markets turned volatile?

For the past few weeks, markets have been volatile. A number of reasons are being given for this: overheated markets, profit-booking, tensions between Russia and Ukraine and, of course, rising interest rates. Central bankers around the world are planning to hike interest rates in their countries, so the markets have already started discounting that. Why should the markets fall when the rates rise? We will find out soon.

Year-to-date returns of major world markets



What are interest rates?

'Interest rate' may mean different things to different people. Broadly, you either earn interest or pay it. When you lend money, you earn it. When you borrow money, you pay it. For instance, if you have taken a home loan, you pay interest to the lending institution. On the other hand, as a bank depositor, you earn it on your deposits as your deposits are the money lent to the bank. So, when rates rise, interest-earners tend to benefit and interest-payers tend to lose.

Who sets them and how do they get transmitted?

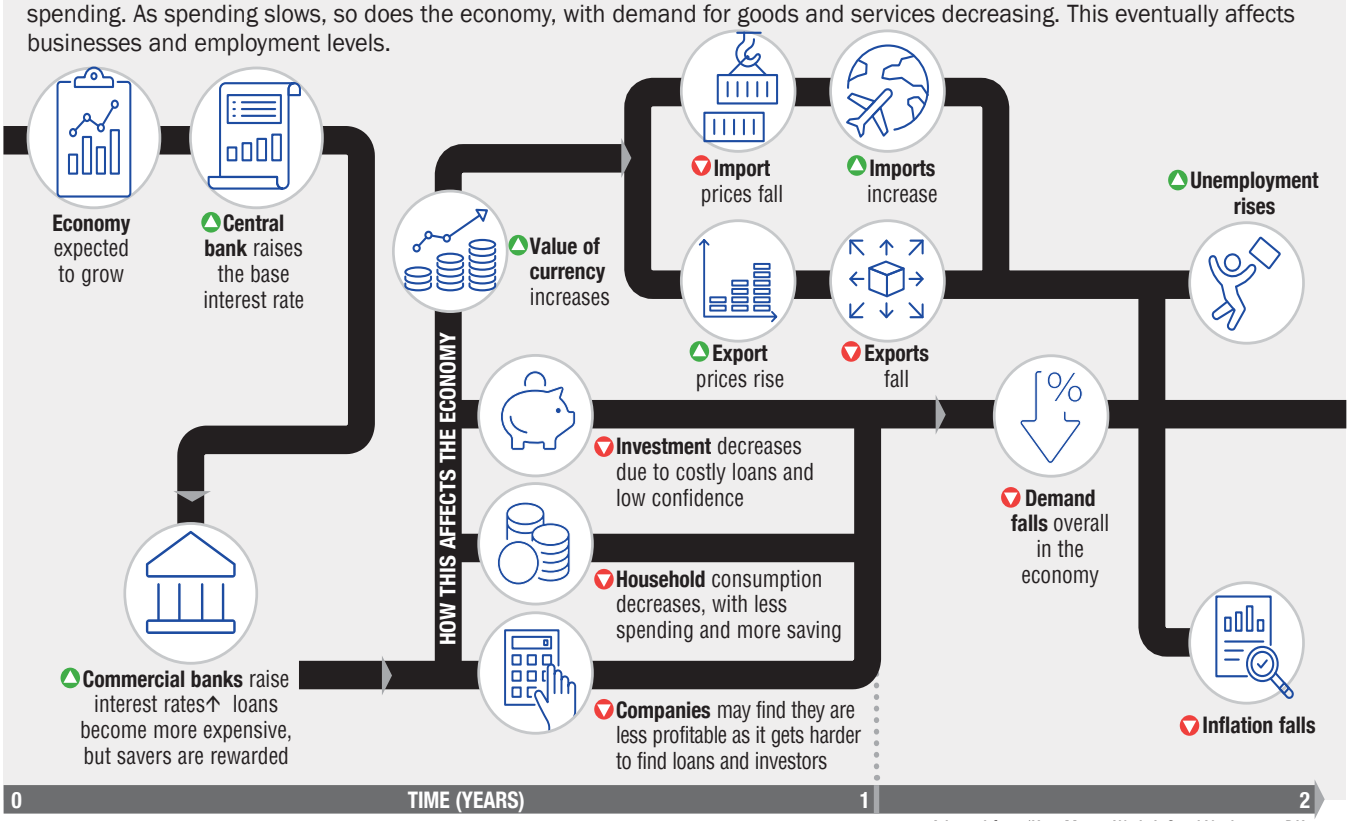
Have you ever wondered how the prices of potatoes are set? They are grown in many countries and are consumed all over the world. Though certain large players can exert influence on the prices of potatoes, no single entity can set the global price of potatoes; they are determined by the forces of global demand and supply. Interest rates are not very different from potatoes in this sense. While a large number of transactions across the world determine the overall level of interest rates, large players (e.g., central banks) can exert significant pressure on them.

Now how do the actions of the central bank (fancifully called 'monetary policy') influence the overall economy? By adjusting the 'policy rate' (a term used to denote the interest rate at which commercial banks borrow from the central bank), a domino effect is created which results in the modification of interest rates for borrowers across the economy. Here's how this 'transmission' of interest rates takes place.

Let's say the central bank increases the policy rate. So commercial banks will have to pay more when they borrow from the central bank. Commercial banks will increase their interest rates to preserve their profits

When interest rates are raised

Higher interest rates make loans less affordable, while high interest on savings accounts encourages saving rather than spending. As spending slows, so does the economy, with demand for goods and services decreasing. This eventually affects businesses and employment levels.


Economy expected to grow
Central bank raises the base interest rate
Commercial banks raise interest rates↑ loans become more expensive, but savers are rewarded
Value of currency increases
Import prices fall
Imports increase
Export prices rise
Exports fall
HOW THIS AFFECTS THE ECONOMY
Investment decreases due to costly loans and low confidence
Household consumption decreases, with less spending and more saving
Companies may find they are less profitable as it gets harder to find loans and investors
Demand falls overall in the economy
Unemployment rises
Inflation falls
0
TIME (YEARS)
1
2

Adapted from 'How Money Works', Carol Vorderman, DK

and this, in turn, increases the cost of borrowing for companies as they have to pay more interest. As higher interest costs begin to pinch, companies tend to borrow less as they trim their expenditure to maintain profits. Even in households, loans become more expensive and savings become that much more lucrative (as fixed deposits start giving attractive returns). So, people will refrain from spending and start saving more. Overall demand and supply will fall. See diagram 'When interest rates are raised'.

What will happen if the central bank reduces the interest rate? The complete opposite. The low cost of borrowing is expected to motivate companies to borrow more and incur higher capital expenditures. On the consumer side, since loans are available at cheaper rates and banks don't offer good returns on their savings, individuals are motivated to spend and often indulge in purchasing durable goods. Rates are lowered when the central bank wants to inject more money into the economy in order to spur growth.

RBI's toolkit

The RBI influences the interest rates in the economy through its various tools:

REPO RATE: It is the rate at which the central bank lends money to commercial banks. Repo rate is the primary component of policy rate as it influences the cost of borrowing for companies and consumers.

REVERSE REPO RATE: It is the rate at which the central bank borrows from commercial banks. A change in the reverse repo rate determines whether it is favourable for commercial banks to park their money with central banks or to give out loans. It is used as a measure to control the money supply in the economy.

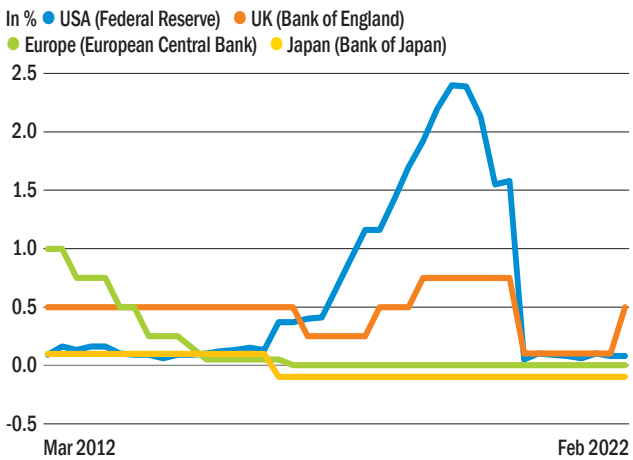
CASH RESERVE RATIO (CRR): The portion of deposits that banks have to maintain in cash with the RBI to meet immediate customer needs. A change in the CRR determines the money available with commercial banks that can be lent to customers.

STATUTORY LIQUIDITY RATIO (SLR): This is similar to the CRR in the sense that banks have to maintain a portion of their deposits to meet customer needs but instead of maintaining it with the RBI, commercial banks maintain it with themselves. A change in the SLR once again affects money available with commercial banks that can be lent.

Why were interest rates so low for a long time?

When the pandemic started, companies had to halt their production and many consumers were deprived of income. To run the economy smoothly, central banks decided to reduce the interest rates so that companies and people could borrow money at cheaper rates. Demand for goods and services surged due to the availability of cheap money. This is one of the primary reasons for the surge in share prices across the world.

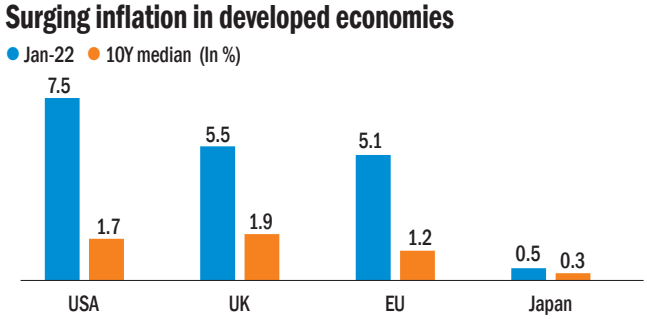
Trajectory of interest rates in major developed economies



Why are central banks raising interest rates now?

Given that the economic impact of COVID-19 is subsiding and the economy is returning to normalcy, inflation has also risen. High inflation is universally considered harmful to the economy and the surest way of reducing the rate of inflation is by raising policy rates. The lower rates have resulted in a situation which economists call 'too much money chasing too few goods'. Consequently, inflation has reached historic levels, leaving central banks with no other choice but to raise interest rates.

Surging inflation in developed economies



Why are high rates negative for the markets?

The value of a company is the present value of all future profits the company will ever generate. Interest rates have a big impact on this value as higher interest rates (higher cost of capital) would result in a lower valuation and vice versa. Higher interest rates also affect the future profits of a company by not only increasing the interest burden (and hence decreasing the net profit margins) but also by having a higher threshold for new capital investments. This would slow down the pace of investments and hence reduce the future growth rate of a company.

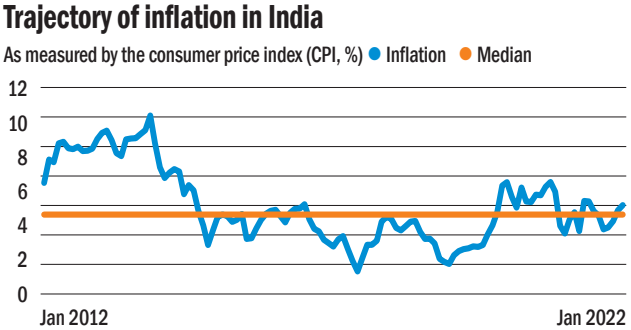
Interest rates, usually, get transmitted throughout the economy with a lag (of about a few quarters). However, the stock market discounts this information instantly. As the future growth outlook starts looking bleak, the market participants bring down the valuation of the companies to this new reality.

Will they rise in India too?

There is a high probability of an increase in the interest rates in the developed world. The Bank of England has already raised them twice in three months. In the US, inflation is at a multi-decade high (7.5 per cent in January 2022). The Federal Reserve is expected to raise interest rates. But how are things back home?

A central bank usually raises interest rates when inflation is above its target. In India, inflation came in at 6.01 per cent in January 2022. This marginally breaches the upper limit of RBI's target of 6 per cent. However, in the recent monetary-policy meeting, the RBI has given no indication whatsoever of increasing interest rates in the near future. The economic recovery is not yet broad-based. Private consumption and contact-intensive services (such as travel, hospitality, beauty and wellness, etc.) are still below pre-pandemic levels. Even though the cost

Trajectory of inflation in India



"If the last two years of living with the virus have taught us anything, it is to remain humble, but grounded in self-belief, never losing confidence and optimism. As the great Lata Mangeshkar – whom we lost recently – sang in her immortal voice: "*Aaj phir jeene ki tamanna hai*". Together with the spirit behind the next line of this beautiful song, she has conveyed an eternal message of optimism."

SHAKTIKANTA DAS RBI Governor, Monetary Policy February 2022

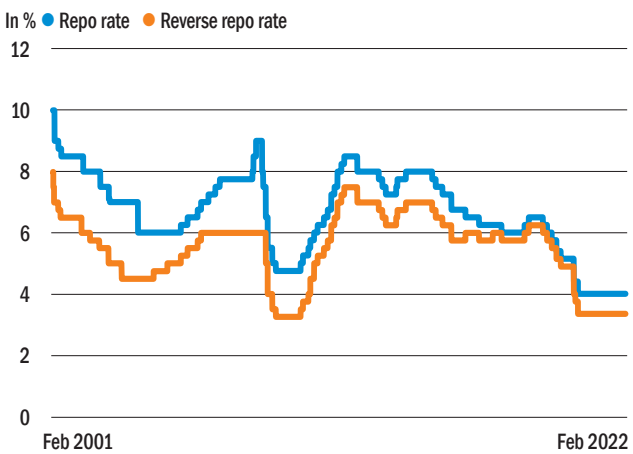
pressures may continue in the near term and crude oil prices are being shaped by the recent geopolitical tensions, the RBI predicts that inflation will be well within its target band of 2 to 6 per cent in FY23.

This is RBI's evaluation based on the information at hand. Given the uncertain world we are living in, it makes sense to calibrate one's stance when new information becomes available. To this end, the RBI Governor Shaktikanta Das had this to say: "If the last two years of living with the virus have taught us anything, it is to remain humble, but grounded in self-belief, never losing confidence and optimism. As the great Lata Mangeshkar – whom we lost recently – sang in her immortal voice: "*Aaj phir jeene ki tamanna hai*". Together with the spirit behind the next line of this beautiful song, she has conveyed an eternal message of optimism."

How have interest rates moved in India?

Between March 2020 and May 2020, the RBI reduced the repo rate from 5.15 per cent to 4 per cent. This was done to mitigate the impact of the pandemic and to support the economy that had come to a standstill. Over the same period, the reverse repo rate was brought down from 4.9 per cent to 3.35 per cent. These two rates are now at their lowest in a decade.

Trajectory of interest rates in India



Inflation averaged 4.8 per cent in FY20. It was 6.2 per cent in FY21. The increase was largely on account of pandemic-induced supply-chain disruptions and lockdowns. During FY21, the food and beverage category was the major driver of inflation. However, so far in FY22, the major contributors to inflation have been fuel and transport. Crude-oil prices, petroleum product prices and higher taxes are the main reason for this.

At the start of the pandemic, crude oil prices dropped sharply as demand was benign. However, unprecedented cuts in supply by major oil-producing countries and rising demand led to an equally sharp rise in prices. On top of it, the government did not cut the central excise duty on petrol and diesel till late 2021. There was moderation in crude oil prices towards the end of 2021 but the recent geopolitical tensions in Eastern Europe and the Middle East caused crude oil prices to rise above $90 per barrel.

How do higher rates in developed countries impact India?

Higher rates in developed countries lead to an outflow of capital from emerging markets like India. With a higher opportunity cost, the relative attractiveness of investing in developing countries like India would decrease for foreign investors. This would lead to higher outflows and reduced inflows in the Indian market.

Further, a higher interest rate in developed countries (for example, the US) would strengthen their currency (US dollar) against the rupee. This would, in turn, translate into a higher cost of imports. Crude oil and other petroleum products would become more expensive and this would contribute to inflation. This would further increase the cost of raw materials for many companies and, in turn, lower their margins. However, for companies that are export-driven, the stronger dollar is actually beneficial.

As foreign investors move money out of India, it could lead to high volatility in share prices. The past

TAPER TANTRUM OF 2013

What is taper tantrum? To understand that, let's recall the global financial crisis of 2008-09. To tackle the recession, the US Federal Reserve and other central banks of the world started increasing the money supply by buying bonds in order to infuse liquidity into the economy. After nearly five years (May 2013), the Federal Reserve announced its intent to go slow on its bond purchases (i.e., liquidity infusion). 'Taper tantrum' refers to the reaction of market participants (called 'tantrum', since prices started falling) due to a slower rate of increase in money supply ('tapering').

Foreign investors were pulling out money in droves. The Indian economy witnessed portfolio outflows to the tune of ₹79,475 crore (₹19,165 crore from equities and ₹60,210 crore from debt markets). The 10-year government bond yields rose, Sensex turned volatile and the rupee depreciated sharply.

This time, since the Federal Reserve's announcement to slow down its liquidity infusion in November 2021, ₹68,355 crore and ₹8,231 crore have been taken out of equity and debt markets, respectively, by foreign portfolio investors. But the impact has been muted. The Sensex has not fallen much, the government bond yields have not risen much and the rupee has held up strong, indicating that we are on a stronger footing compared to 2013.

The muted depreciation of the rupee could be attributable to the improved resilience of India since the taper tantrum of 2013. India's foreign exchange reserves as a percentage of GDP stand at 31.9 per cent compared to 17.2 per cent in FY13. Moreover, India witnessed a current account surplus in FY21 after a gap of 17 years. In FY13, on the other hand, India had recorded its highest ever current account deficit of 4.8 per cent.

Here is what the RBI Governor had to say regarding the same: "This time I don't think there will be a tantrum. The US Fed is quite conscious of what happened in 2013 and they have been giving sufficient advance guidance…We have strong forex reserves of $632 billion…If you add that as well, India is well placed to deal with global spillovers."

few weeks are an example of that. However, to make this clearer and help you draw insights from previous instances, see the box on the taper tantrum of 2013.

Q Which sectors are more vulnerable to interest-rate hikes? Which are relatively more immune?

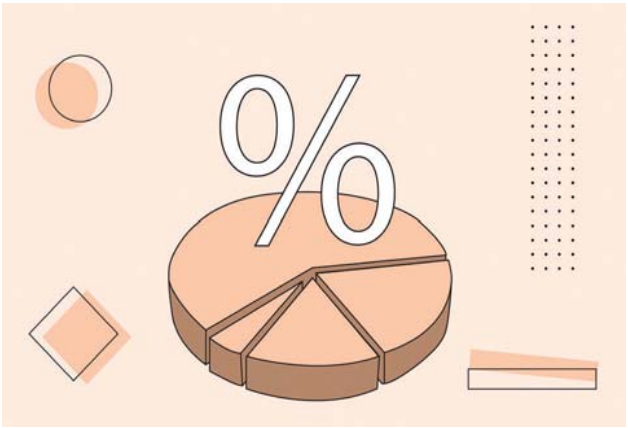
As a rule of thumb, sectors where debt plays an important role tend to get negatively affected when interest rates go up as the interest outgo of the companies in such sectors rises, which reduces their margins and consequently profits. Here are some sectors that may have to bear the brunt of rising rates:

BANKS: At first glance, it might seem like banks should benefit from interest-rate hikes. This is because banks would be able to charge a higher rate from borrowers, while keeping interest paid to depositors at the same level. However, that's not the entire picture. Individuals can choose to defer taking out loans and corporates can choose to raise equity if debt is not attractive. They might even seek to borrow from abroad where rates are far lower. Moreover, an interest-rate hike pushes the bond prices down, leading to losses in banks' treasury portfolio as they own a chunk of government bonds. So, in sum, higher interest rates do not really end up benefitting banks.

NBFCs: A similar conclusion can be drawn for non-banking financial companies (NBFCs), with the major difference being that since most NBFCs don't have a depositor base to tap into, their cost of funds tends to increase more than that for banks. Furthermore, given the lower credit quality of their loan book (assets), they might start seeing some losses.

"This time I don't think there will be a tantrum. The US Fed is quite conscious of what happened in 2013 and they have been giving sufficient advance guidance…We have strong forex reserves of $632 billion…If you add that as well, India is well placed to deal with global spillovers."

SHAKTIKANTA DAS RBI Governor, *The Economic Times, February 15, 2022*



REAL ESTATE AND INFRA: The real estate and infrastructure sector is also vulnerable to high interest rates. When projects take a long time to complete, debt becomes a necessity and consequently higher interest rates increase the company's interest burden. For real-estate developers, the impact is two-fold. First, demand gets affected due to the higher cost of borrowing for a homebuyer and second, depending on the company, the cost of construction increases due to a higher interest-rate burden.

In the infrastructure-construction space, not all companies are paid upfront. While there are different revenue models (e.g., build-operate-transfer; engineering, procurement and construction; hybrid annuity model) wherein revenue is received at varying times and in varying amounts, debt plays a very important role in all scenarios, given the large amount of capital invested and the long payback period.

AUTOMOBILES: As a majority of automobile purchases (both passenger and commercial) are financed via loans, a higher interest rate can put a dent in the demand. And on top of that, a few manufacturers are highly indebted. Their interest cost would also rise and hurt margins.

OTHERS: There are many more sectors where debt plays an important role, such as aviation, power, energy, metals and mining, etc. Since these sectors are capital-intensive, the companies operating in these sectors need debt to fund their capital expenditures. But the flip side is that the interest-rate trajectory has a significant influence on their performance.

In contrast, sectors that are less affected due to an increase in interest rates include FMCG, IT and capital-light businesses like asset management, exchanges, depositories, etc.

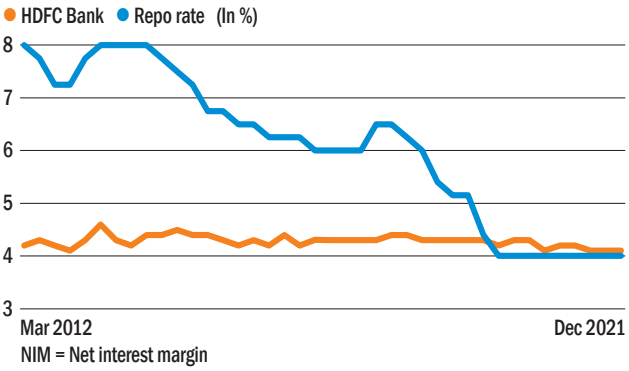
But investors must keep in mind that there is no hard-and-fast rule regarding the use of debt. There can be companies in capital-intensive sectors with lower debt levels and companies in capital-light sectors with high debt levels.

Q Should one avoid the vulnerable sectors and shift to the relatively more immune ones?

While the answer to this question can be tricky and based on a lot of variables, the short answer is no. The decision to buy and sell a company should not be solely based on its sensitivity to interest rates. Also, just because the interest rates are going to rise, it does not guarantee that the operations of a company are going to be affected. The impact of an interest rate hike would depend on a variety of factors such as the condition of the current economy, how low interest rates were in the first place, the ability to absorb a rise in interest rates, quantum of the rate hike, liquidity levels in the system, etc. Simply stating that an interest-rate hike is bad is an incorrect conclusion.

While companies with high amounts of debt may get affected, investors must still avoid painting all companies with the same brush. As an example of a company in the interest-rate sensitive sector but still capable of performing well, consider Bajaj Finance. The company is an NBFC with a strong retail depositor base. Over the last two quarters, the company has raised nearly ₹9,500 crore in non-convertible debentures of tenor ranging two years and above. In fact, about ₹4,444 crore is for a period of over 10 years. This move not only increases its liquidity buffer but also enhances the company's ability to shield itself from adverse interest-rate movements. Further, the company usually has more loans than borrowings in the short term and therefore may not need to worry about any mismatch in its cash flows.

Impact of rate changes on HDFC Bank's NIMs



NIM = Net interest margin

See chart 'Impact of rate changes on HDFC Bank's NIMs'. It shows that in spite of rate changes over the years, the bank has been able to maintain

Companies with high debt and low interest-coverage ratios

Company name	Debt to equity	Interest-coverage ratio
NXTDigital	44.60	0.1
Sun Pharma Advanced	31.80	-11.5
MMTC	24.20	-0.2
Jaiprakash Associates	19.30	0.5
OMDC	18.20	0.4
Shoppers Stop	17.10	0.5
Prime Focus	14.70	0.9
Future Lifestyle Fashions	10.30	-1.2
Swan Energy	4.50	0.0
DB Realty	3.50	-0.2
Ashok Leyland	3.30	1.0
Tata Motors	3.20	0.9
Jain Irrigation Systems	2.30	0.7
Dilip Buildcon	2.10	0.7
Bajaj Hindusthan Sugar	2.10	0.1

Minimum m-cap of ₹1,000 crore as on February 17, 2022. Debt-to-equity and interest coverage ratios calculated using latest financial disclosures.

its net interest margins (NIMs). This should help you understand why making decisions based on the sensitivity to interest rates alone would not be ideal. A smart investor always knows that there are companies with strong business models and high management capabilities which can tackle the short-term adversities and deliver strong performance regardless of the interest-rate environment.

Q In terms of specific stocks, which companies are most affected by interest-rate hikes?

Whenever there are talks about interest-rate hikes, there are some companies that will have a high probability of getting affected. Why so? Because of their precarious financial position. Certain companies would have not only accumulated a high level of debt to finance their business but may also be in a difficult position to meet their interest obligations. So, we have prepared a list of these companies (see table 'Companies with high debt and low interest-coverage ratios) using the following two criteria:

- Debt to equity of more than two (this ratio measures the amount of debt in a company compared to the amount of shareholders' equity. The lower it is, the better.)
- Interest coverage of less than one (this ratio measures the company's ability to meet its yearly interest obligations. The higher it is, the better.)

As an investor, you should avoid investing in these companies generally and more so in current times.

Q What should you do?

As an investor, you must understand that rise and fall in interest rates is an economic phenomenon which happens from time to time to keep inflation and growth balanced. Interest-rate movements can affect the direction of the stock market in the short term. A rise in interest rates (or even the possibility of one), more often than not, puts downward pressure on share prices. However, this short-term reaction should not make you take your eye off the long-term game. Just because the markets are choppy doesn't mean that you should sell out. If the market does fall, see that as an opportunity to buy good stocks at lower prices.

While rate-sensitive sectors and companies may see some adverse effects of rate hikes, it does not mean that these sectors/companies are bad. Some of the companies within these sectors would continue to perform well and therefore should be held on to for a longer time.

Will the rates rise too fast and go too far? Given the rising inflation, while there is a case for raising interest rates, dramatic hikes are unlikely. The last time the US Federal Reserve hiked interest rates by 0.5 per cent was in May 2000. It's worthwhile to note that raising rates is not just an economic aspect but also a political one. No government will risk raising rates steeply and compromise economic growth.

So, just put aside your concerns regarding a rise in interest rates and focus on investing in good businesses for the long term. **WI**

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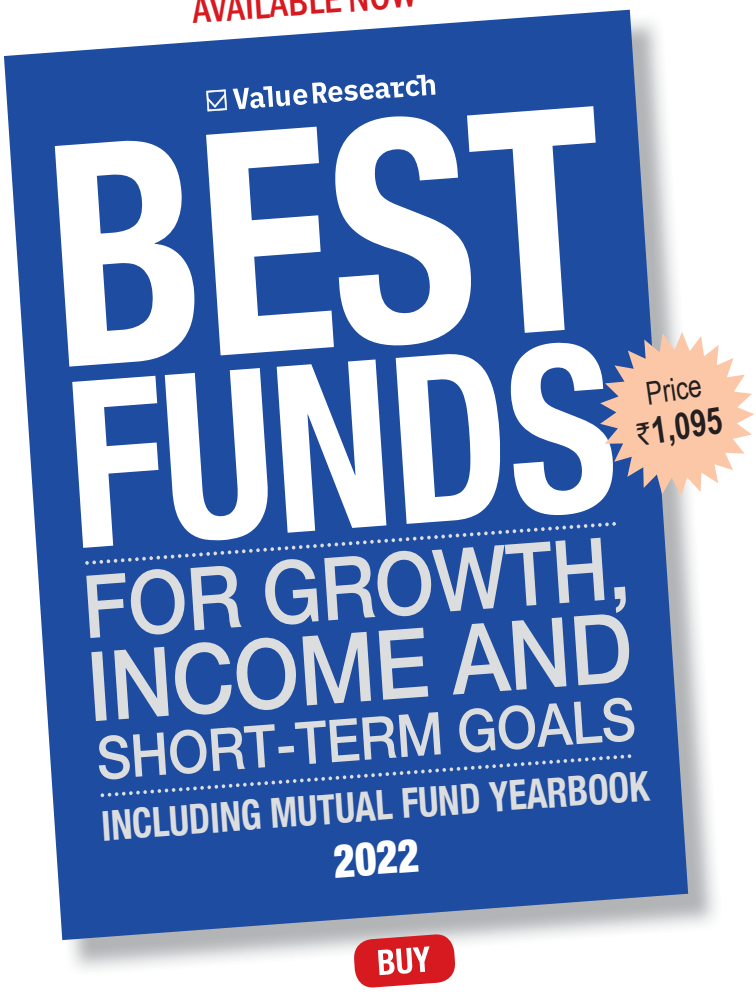

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INTERVIEW

ASHISH NAIK
Equity Fund Manager, Axis Mutual Fund

Profiting from technological disruption

Technology-led disruption is affecting many sectors and dealing with it has become a major challenge for investors. Axis Special Situations Fund is a thematic scheme that seeks to tap the power of disruptive growth. We speak with its fund manager, Ashish Naik, to understand how he manages this fund, which sectors are more vulnerable to disruption and which are more resilient, and which themes investors can bet on, among other things.

Can you tell us about your Special Situations Fund?

Disruptive change is accelerating as technological power grows exponentially, while costs fall. This has driven innovation and adoption rates, enabling companies to appear from nowhere to become giants seemingly overnight. If we take a look at the S&P 500, which is an index of the 500 largest US companies for example, the average tenure of a company in the index back in 1964 was 33 years. Fast forward to 2016, the figure was 24 years and by 2027, it's predicted to be just 12 years.

This combination of innovation and speed has led to a rich and fast-growing universe of transformational companies that represent compelling investment opportunities. Over the last decade, a similar trend has been witnessed in India as well. To capture this trend of long-term

> "We categorise companies that fall under the disruption theme into four buckets: Disruptors, Enablers, Adapters and Deniers."

sustainable growth led by innovation in India and globally, Axis Special Situations Fund (an open-end equity scheme following the special-situations theme) has disruption as the core theme.
To summarise, Axis Special Situations Fund is an open-end thematic fund which will look to target the power of disruptive growth. With Schroders' 90+ analysts and investment specialists internationally, we believe your investment can benefit from a globally collaborative investment approach that brings together the best of India with those in the global ecosphere.

How do you pick stocks for your fund?
We categorise companies that fall under the disruption theme into four buckets: Disruptors, Enablers, Adapters and Deniers.

Disruptors are frontline companies whose products and services are at the forefront of the disruption in the sector/industry. These would typically be the smallest portion of companies with the highest alpha-generation potential.

Enablers are those second in line to Disruptors. They make the innovation possible through R&D and technical know-how. These companies are seldom in the limelight and are relatively unknown. When the markets identify these companies, there is significant re-rating as the true potential is calibrated.

Adapters are incumbent innovators that stay relevant by reorganising or reshaping the way they do business to stay ahead of the disruption in the market place. Such companies constantly innovate to stay ahead of the curve over sustained periods of time and grow market share or are market leaders themselves.

Finally, Deniers are the incumbents who get disrupted. These are the companies we look to avoid.

And, while we do find Disruptors within the listed space across various sectors, both in India and globally, these companies get the most attention from the market and higher investor interest might result in value capture happening much ahead of fundamentals. Hence, it might be prudent that instead of looking at just Disruptors, we have a healthy mix of Enablers and Adapters to get a well-rounded portfolio.

When do you sell a stock?
The idea is to buy these disruption-theme-based stocks early when they are either investing in disruptive growth and/or have started to demonstrate successful execution in such a business model and exit when the visibility of highly disruptive growth in future wanes.

How important is it to invest tactically as against seeking secular-growth opportunities? What allocation should an investor have for such an investing style?
Axis Mutual Fund's core investment philosophy is to invest in quality secular-growth companies and this continues in the Special Situations Fund. In fact, disruptive-growth companies are at the higher spectrum of growth and we do not compromise on quality parameters of promoter, management or business. But because we try to enter these businesses early in the investment phase, near-term profits as well as cash flows might be lower; but as long as long-term business model merits sustainable cash flows and profitability, we would be fine investing.

Also, while disruption is the long-term secular-growth opportunity that this fund primarily focuses on, over the medium term, sectoral dynamics shifts that may result in tailwind opportunities for some companies are tactically targeted. At the same time, short-term, event-based elements like mergers and acquisitions or business restructuring can drive a stock re-rating, which might get some opportunistic allocation.

> "Disruptive-growth companies are at the higher spectrum of growth and we do not compromise on quality parameters of promoter, management or business."

Which sectors/pockets are you overweight and underweight on? What's your thinking behind those weightings?

The fund strategy is well-diversified with IT, internet or tech sector forming 21–25 per cent of the domestic allocation. Incumbent financials are at 29–33 per cent (across NBFCs, private banks and insurance companies) as well as other sectors like:

- Industrials at 10–15 per cent (including MNC players helping in automation, clean energy and other hi-tech systems)
- Automotive (global suppliers that are pivoting their business to new-age technologies like EVs)
- Consumer, pharma and few other cyclical sectors

Technological disruption has emerged as a major challenge over the last few years. Which industries are most vulnerable to it? Which are more resilient?

Innovation has made lives easier, more efficient and improved our standard of living materially throughout history. From the invention of the spinning wheel to the latest gadgets, disruption and change has been the only constant as we look to solve the greatest challenges known to man. More so in the last decade, innovation and disruption have taken on new vigour as disruption is happening at its fastest pace ever.

Every industry is getting impacted. The fourth industrial revolution (4IR) is about a whole new way of agile manufacturing using robotics and AI. Strong data privacy laws would make sure that individuals are protected while giving their personal information. In this "Digital Economy", as quoted by an eminent banker, "Geography is history". With access to the right technological backbone, businesses can be operated remotely anywhere, anytime and by anyone. This will give boost to data- and analytics-driven growth in artificial intelligence and machine-learning-based environment that eventually leads to further automation and in turn creates a virtuous cycle of disruption. No company or sector can remain isolated from these swooping changes.

Vulnerable sectors: manufacturing – automation; service industry – AI; media – OTT; logistics – technology; retail – online; IT – cloud; fossil fuel – EV; power – renewables (solar, hydrogen).

Resilient sectors: finance (lot of regulatory concerns and strong incumbents); material – yet not found replacement to basic materials; construction – 3D printing, etc., yet not feasible but may be at the horizon

How do you see new-age businesses and listed start-ups as investment opportunities? How should an investor separate the wheat from the chaff?

New-age companies and listed start-ups have some of the most interesting ingredients that can drive disruptive growth. These firms do not carry the baggage of legacy business models and hence can be quite nimble and grow as per the current business reality. With the right kind of management team, a sound business idea can easily disrupt many large industries and we are seeing that happen in various sectors from FMCG to media to logistics. Part of the reason for this has been higher risk-taking ability given by an easy access to low-interest-rates-led PE-backed capital.

But this easy growth, even for relatively nonstarter business models that have serious scalability or execution issues, can result in massive mispricing, where unreasonable valuations can lead to bubbles. And when these businesses eventually fail to deliver on growth or profitability targets, it results in bigger cuts to the stock prices.

> **"We believe sustainability and disruption are two major themes which encompass almost every walk of life and hence affect every sector of the economy."**

If an investor wants to build a thematic stock portfolio for the next five years, which themes would be your top picks? What would be your advice to such an investor?

We believe sustainability and disruption are two major themes which encompass almost every walk of life and hence affect every sector of the economy. Sustainability in the form of ESG has come out as a major investment theme and global investors have become incrementally more and more discerning of these. Given that these themes are impacting individual companies and stock returns, both positively as well as negatively, we would advise every investor to allocate a certain portion of investment corpus, outside of their core to investment, in funds based on these themes.

Source: Innosight, 2018 Corporate Longevity Forecast: Creative Destruction is Accelerating, Bloomberg, Axis MF Research (data as on January 31, 2022). **WI**

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The free-cash secret

What makes a company compound its free cash flows exponentially

SAURABH MUKHERJEA

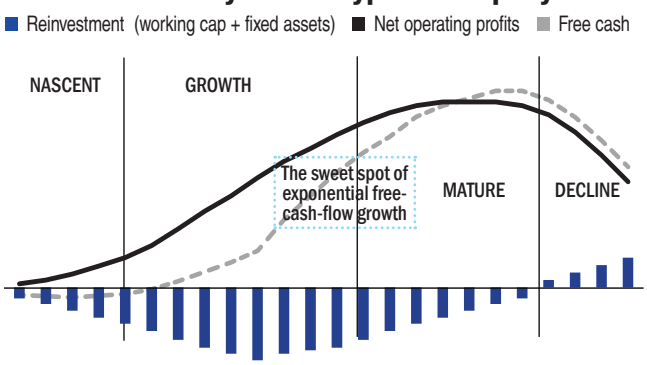
Free cash flow (FCF) is calculated as the difference between operating profits generated by a company for the year and the amount reinvested back into the business through: (a) investments in working capital; and (b) investments in fixed and intangible assets. Every firm typically goes through four stages in its lifecycle: nascent, growth, maturity and decline – see chart 'Free-cash-flow lifecycle of a typical company'. The interplay of key determinants of FCF, i.e., operating profits, reinvestments and thus the quantum of FCF generation is significantly influenced by the stage of a company's lifecycle as shown in the chart.

While FCF is generally non-existent during the nascent phase (due to a lack of operating profits and heavy reinvestment needs), it starts building up as the operating profits start growing (growth phase). Then, after an inflection point when operating profits become sizeable enough to more than meet the reinvestment needs, there is an onset of the exponential FCF compounding phase.

While from this chart, it may seem a natural progression for every company to move up the free-cash-flow curve, in reality only a small subset of the companies at the beginning of each phase, irrespective of the longevity of their operations, graduates to the next higher phase of the free-cash-flow cycle. In fact, a large number of companies which have had operations for years or even decades are unable to generate operating profits and generate positive free cash flows due to a variety of reasons, including the lack of competitive advantages. At the same time, we have seen several instances of companies which are able to grow operating profits but continue to find FCF elusive. Such companies are typically in capital-intensive, low-margin sectors. In such companies, the high reinvestment in capex and working-capital days is a must for growth and these continue eating away at operating profits, resulting in low or no FCF.

Only a small subset of the companies at the beginning of each phase, irrespective of the longevity of their operations, graduates to the next higher phase of the free-cash-flow cycle

Free-cash-flow cycle of a typical company



Source: Marcellus Investment Managers. Note: (i) Reinvestment above includes both working capital and fixed assets/intangible investments; (ii) free cash is calculated as operating profits post tax (i.e., net operating profits) less reinvestment

The following data points illustrate the challenges associated in the FCF journey even for companies with a decent scale of operations and with at least one-two decades of operational history:

- Of the total about 450 listed companies in India in the ₹35–750 billion market-cap universe, nearly 12 per cent of companies did *not* generate positive FCF in any of the last three financial years (FY19–21).
- For the above universe, if we extend the time period to the last five financial years (FY16–21), only one-third of

the companies generated positive FCF in three or more years; and

- For the above universe, the median growth in FCF over FY6–21 has been a paltry 5 per cent CAGR.

Rising Giants and FCF compounding

Whilst we have highlighted the challenges involved in FCF generation above, on the other hand, well-managed mid-cap companies (let's call them 'Rising Giants') have not only generated consistently positive FCF but also shown a clear acceleration in FCF growth in recent years (median FCF of portfolio improving from -1 per cent over FY13–15 to 29 per cent over FY16–18 and further to 41 per cent over FY19–21). Refer to table 'Rising Giant and free-cash-flow compounding'.

Besides the acceleration in FCF for Rising Giants, in recent years, this acceleration has come amidst significant challenges surrounding the economic environment

What is even more impressive is that besides the acceleration in FCF for Rising Giants, in recent years, this acceleration has come amidst significant challenges surrounding the economic environment like COVID-induced disruptions amidst an economic slowdown. We discuss now the key factors driving such a huge divergence in the Rising Giants' FCF performance vs the broader corporate world.

A networked economy benefits efficient companies: Over the past 10 years (FY11 to FY21), the length of India's national highways has doubled to 136,000 km, implying a compound annual growth rate (CAGR) of 7 per cent[1]. The number of broadband users has increased from 20 million in FY11 to 687 million at the end of FY20 (CAGR of 48 per cent)[2]. A decade ago, in 2010, India's airports handled 80 million passengers. The corresponding figure in FY20 was 340 million, implying a CAGR of 16 per cent[3]. Fifteen years ago, only one in three Indian families had a bank account; now nearly all Indian families have a bank account. As a result of this networking of the Indian economy, efficient companies with strong distribution systems have pulled away from regional and local players. For example, as the economy gets integrated, lending, which was once dominated by regional players, is now seeing the emergence of a few national players with superior underwriting and risk-management capabilities (underpinned by greater investment in talent and technology). Such lenders are part of the Rising Giants portfolio.

Access to and adoption of low-cost technologies: Until about a decade or so ago, using technology extensively to drive revenue growth or business efficiencies was majorly the privilege of large companies. Due to the rise of cloud,

Rising Giants and free-cash-flow compounding

Most Rising Giants have seen an acceleration in FCF compounding in the recent years

Portfolio comp. (ex-financial stocks)	FY13–15 (%, CAGR)				FY13–15 (%, CAGR)				FY13–15 (%, CAGR)			
	EBITDA	CFO	FCF	ROCE (FY13–15 avg)	EBITDA	CFO	FCF	ROCE (FY16–18 avg)	EBITDA	CFO	FCF	ROCE (FY19–21 avg)
Alkyl Amines	26	20	-1	23	11	19	18	22	54	53	84	39
Astral	27	11	-345	29	23	34	32	21	27	33	71	24
Dr Lal Pathlabs	21	21	41	60	19	17	13	44	18	26	40	35
Endurance Tech	36	-9	-29	19	15	22	46	22	4	-6	-1	21
Galaxy Surfactants	18	-21	-52	17	15	52	81	24	16	36	42	25
GMM Pfaudler	25	-2	73	17	21	31	25	24	31	32	20	26
Grindwell Norton	4	-4	99	24	11	8	11	22	9	35	44	23
Info Edge	-44	-20	-265	17	132	71	41	22	2	3	-23	16
L&T Tech	NA	NA	NA	NA	12	12	-1	42	20	48	71	39
Page Industries	29	11	6	63	19	39	52	61	-1	15	20	61
Relaxo	29	14	-196	24	15	13	26	27	18	49	105	26
Suprajit Engineering	12	37	94	26	35	48	95	23	0	-10	-11	17
Median	25	11	-1	24	17	26	29	24	17	33	41	25

Source: Companies, Marcellus Investment Managers

mobile and software-as-a-service (SAAS), the technological landscape has evolved significantly over the past decade, resulting in much wider access for smaller companies to world-class technology. The Rising Giants have been at the forefront of adopting these modular low-cost SAAS solutions which are hosted on the cloud (for example, Salesforce, SAP) and IoT (for example, Industry 4.0). The technologies have not only helped drive significant business value on the front end (for example, better customer insights through data mining) but has also helped these companies to improve their working-capital cycles, asset turns, profit margins and hence ROCE.

Capital-allocation initiatives by Rising Giants companies: A persistent economic slowdown in the recent years marked by disruptive events like demonetisation, GST introduction and the recent COVID-19 crisis has only served to widen the gap between stronger and weaker companies. Market leaders helped by their ROCEs are able to generate healthy cash flows and in turn deploy them into strengthening their franchises further through investments in products, people and technology, expanding distribution networks and gaining market share from weaker players.

On the other hand, weaker competitors have been structurally impacted and many of them now face existential issues. Hence, stronger cash-flow-generating companies are able to benefit more from both an economic crisis as well as economic recovery. While it may sound counter-intuitive that investments can result in FCF growth (since investments at a practical level reduce FCF), well-thought-through investments generate higher operating profits in future than the cash outflow entailed by them initially. Such investments have been a critical driver of Rising Giants' FCF growth of recent years. **WI**

Stronger cash-flow-generating companies are able to benefit more from both an economic crisis as well as economic recovery

Note: All the companies named in this note are part of Marcellus' portfolios. Furthermore, in his personal capacity – through investments in Marcellus' portfolios – the author of this note is also a shareholder in the companies named in this note.

Saurabh Mukherjea is part of the Investments team at Marcellus Investment Managers (www.marcellus.in). He is the author of 'Diamonds in the Dust: Consistent Compounding for Extraordinary Wealth Creation'.

[1]Source: Ministry of Road Transport, Annual Report FY 11 and FY 21: https://bit.ly/3JtCJR8; https://bit.ly/3JF42s1

[2]Source: TRAI, Annual Report FY11 and FY20: https://bit.ly/3gXlKdC; https://bit.ly/3oUi8ha

[3]Source: IATA and Statista: https://bit.ly/3BppoGQ; https://bit.ly/33sxYYT; https://bit.ly/3oVVxAB

STRAIGHT TALK

The hydrogen opportunity

Will the National Hydrogen Mission make India adopt hydrogen as a fuel?

ANAND TANDON

In the Independence Day speech of 2021, Prime Minister Modi announced the setting up of the National Hydrogen Mission to make India self-reliant in energy and become a global hub for green hydrogen. In February 2022, the government announced the policy for green hydrogen to help set up the hydrogen ecosystem. This policy allows (a) manufacturers to set up renewable-energy capacity for green hydrogen anywhere in India; (b) time-bound open access approval for 25 years, without central surcharge and zero inter-state transmission charge for projects commissioned before H1CY2025; (c) 'bankable' storage of generated power for 30 days (d) for storage of green H_2 for exports at facilities near ports. The policy also provides for statutory clearances to be provided withing 30 days of application.

India is not the first country to announce steps to generate energy from hydrogen. White House archives reveal: "President Bush's Hydrogen Fuel Initiative, announced on January 28, 2003, envisions the transformation of the nation's transportation fleet from a near-total reliance on petroleum to steadily increasing use of clean-burning hydrogen" (https://bit.ly/3v6muph). Fast forward to 2014. The Government of Japan announced a "strategic roadmap for hydrogen and fuel cells". The stated objective was to convert the economy to hydrogen.

Why is it that after almost two decades, we are still to see widespread adoption of hydrogen as a fuel?

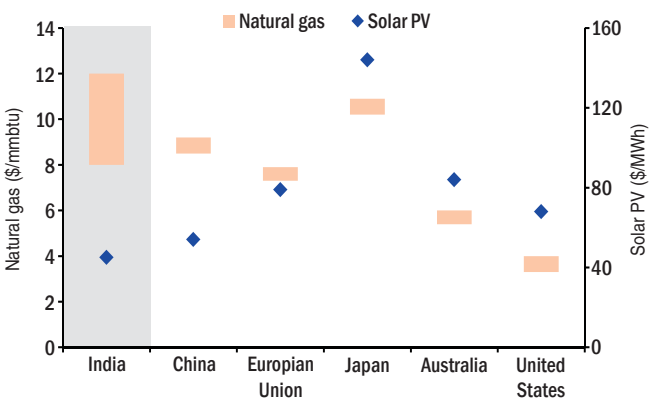
How 'green' is current hydrogen

'Burning' hydrogen with oxygen from air produces water while releasing energy. What could be cleaner than that? The issue we confront is that hydrogen is not available in nature. It appears as ammonia, methane, water and other molecules and needs to be released through a process that needs energy. The most common process to manufacture hydrogen is through 'reforming' of natural gas. Steam-methane reforming (SMR) makes up 76 per cent (IEA, 2019) of global hydrogen production. The process generates carbon-dioxide and is not 'green', although combined with sequestration techniques, SMR can reduce the overall release of CO_2.

The Energy and Resources Institute (TERI), in its report 'The Potential Role of Hydrogen in India', estimates the cost of hydrogen produced *without* carbon capture and storage (CCS) at ₹130/kg to ₹180/kg, depending on the price of natural gas. This is grey hydrogen – this would still release CO_2 – and there is energy loss in converting natural gas to hydrogen. It makes more sense to simply use the gas for energy. Another issue that India needs to face up to is that India is an importer of gas and the stated goal of reducing import dependence on fossil fuel is defeated. Gas-producing countries will face a cost of ₹80/kg under similar conditions – pricing India out.

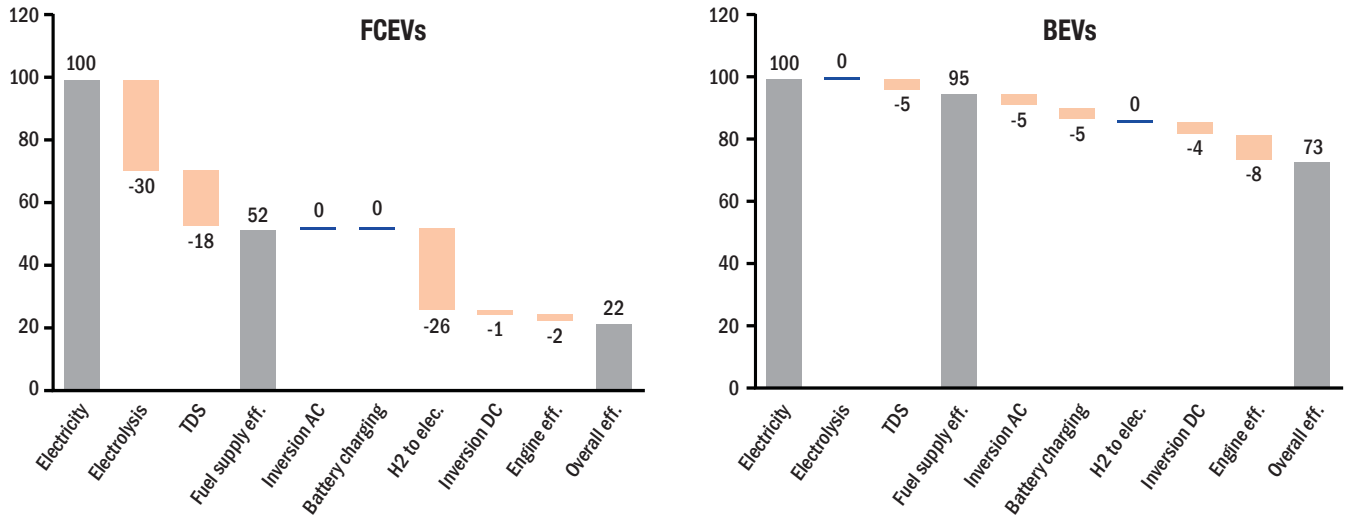
Green hydrogen refers to the use of renewable

Natural gas vs solar prices in different regions



Source: TERI analysis based on (IEA, 2019; NREL, 2020)

Value chain conversion efficiency of fuel-cell electric vehicles (FCEVs) vs battery electric vehicles (BEVs)



Source: TERI analysis. TDS = Transmission, distribution and storage.

energy sources to electrolyse water to produce hydrogen. India has managed to reduce its cost of solar significantly. Some of the gains have recently been ceded by imposing duties on imports from China. Despite this, price quotes for solar bids have consistently fallen, making India among the cheapest producer of solar power in the world. Globally, only about 4 per cent of hydrogen produced is through this source.

Despite this, TERI estimates a high levelised cost of hydrogen using electrolysis. "Costs of hydrogen from electrolysis today are relatively high, at around ₹400/kg versus ₹140–180/kg from natural gas reformation. However, as the costs of electricity and electrolysers fall, the efficiencies of electrolysers improve, and the average load factor for renewables improves, we can expect costs of green hydrogen to fall to around ₹150/kg by 2030 and ₹80/kg by 2050." It is here that one of the policy initiatives of the government can help reduce cost – usually grid-connected solar costs more due to wheeling charges and other charges imposed by the grid owner. The policy seeks to do away with these charges.

Transportation as a use case

Hydrogen has high energy density by weight (over three times of gasoline) but because it's a light gas, it has almost four times *less* energy by volume compared to gasoline. Assume a car that delivers a mileage of 15 km/litre. Filled with liquid hydrogen, it will deliver 4 km/litre, and about half of that if one used compressed hydrogen. Compressed hydrogen requires high-pressure cylinders (which increases vehicle load and prices), and making H_2 liquid requires it to be cooled below -253 °C. Hydrogen can be used as transportation fuel for buses and commercial vehicles – those can hold larger fuel tanks and stop at more frequent intervals. Similarly, because of the significant loss in conversion of energy to make hydrogen, anything that can be directly connected to electricity, should be. A comparison between battery electric vehicles (BEVs) and fuel-cell electric vehicles (FCEVs) is illustrative.

TERI points out that in FCEVs, only 22 per cent of input energy is used to power the car while in BEVs, the conversion is almost 73 per cent.

Many false dawns

Perhaps with greater urgency in achieving lower carbon emission, policy and technological developments may accelerate in finding cheaper and more efficient methods to use hydrogen. An important thing to remember is that hydrogen is not a source of energy, it's a way to transport energy. And transportation of hydrogen requires pipelines. Large green-hydrogen production facilities need to be near demand centres as pipelines to carry hydrogen can get expensive.

In India, RIL has projected an outlay of $10 billion over the next three years in developing capability across the value chain. Renew and L&T have announced a partnership to develop, execute and operate green hydrogen projects in India. Hydrogen itself is expected to drive 120 GW of renewable electricity demand by 2040.

As with every gold rush, it's the toolmakers who benefit. While the path to profitability for hydrogen fuel is unclear, the demand for solar PV, batteries, and electrolysers is definite. Investors in these 'tools' are likely to witness a smoother ride into the future. **WI**

Anand Tandon is an independent analyst.

EVERYDAY ECONOMICS

The Budget's bet

Will the Budget succeed in kindling a durable economic recovery?

PUJA MEHRA

Budgets change taxes and government's spending, which invariably changes the way we spend, invest and earn our incomes. Budget speeches often include announcements of how governments plan to reform the economy, which affects our economic future. Reforms determine if and how there'll be better and newer income opportunities, and how much lower will be the risks and costs involved.

This column had made three points about last year's Budget. First, that unlike the hyperbolic commentary, it was not a 1991-type Budget, and all the euphoria and predictions about imminent revival of economic reforms of the sort Manmohan Singh had rolled out as P V Narasimha Rao's finance minister was claptrap. Prime Minister Rao used the balance-of-payments crisis in the 1990s for delivering reforms. But the COVID crisis could not be used for anything of the sort. On the contrary, Parliament repealed the farm laws, pulling back on reforms.

Second, this column had predicted that the Budget was too optimistic about the capacity to disinvest. That Air India's much-delayed privatisation could be completed is a great feat for which Finance Minister Nirmala Sitharaman deserves praise. She had also announced that she would privatise public-sector banks, a good decision, but one, the column predicted, that would be difficult to deliver. The Budget had estimated that ₹1.75 lakh crore would be raised from disinvestment during the current year that will end on March 31. This year's Budget shows that government has realised it was overoptimistic and now expects to raise only about ₹78,000 crore.

Third, this column had said that in the absence of high-enough disinvestment receipts, a question mark will hang on the future trajectory of the GDP growth. This is because the Budget arithmetic showed that the government was depending largely on disinvestment (including monetisation and privatisation of government-owned enterprises and assets) receipts for kickstarting a sustainable post-pandemic economic recovery. The Budget's strategy was to use these proceeds for financing huge increases in its spending on infrastructure projects as private investments were not forthcoming even before COVID. And sustainable economic growth can only come out of sustainable growth in incomes. Investments create jobs, incomes and demand in the economy. Hence, the Budget aimed to start an investment cycle in which public investments will pull in private investments.

The government's GDP estimates show that private investments have not revived still. Consumption spending in the economy is also lower than before COVID.

This year's Budget shows that while the government did increase its capex despite disinvestment sales not yet picking up, the increase in capex was possible still because the government managed to raise more from taxes than it had budgeted. Tax collections were helped by the pent-up demand in rich households that had been waiting for the lockdowns to end to resume spending and a surge in profits of large companies that benefitted from the government's infrastructure spending and the Reserve Bank of India's policies aimed at lowering the cost of lending by banks.

But government spending has not as yet stirred private investments, without which there can be no sustainable GDP recovery. The government's GDP estimates show that private investments have not revived still. Consumption spending in the economy is also lower than before COVID. Private companies will not start investing for as long as they have idling capacities. This essentially

PHOTO: PRESS INFORMATION BUREAU

means consumption spending levels in the economy will have to revive first. In these circumstances, the task of sustaining the GDP recovery remains the government's responsibility.

That's why this year's Budget was presented by finance minister Sitharaman on February 1 as an exercise in continuity to the last one. The government's bet remains that its capex spending will give India a durable economic recovery. Further increases in capex have been budgeted for the next financial year starting April 1. These hikes are to be financed by reducing subsidies on food and fertiliser and with increased borrowings.

Government spending in India is small relative to the size of the economy. Depending on government spending for moving the economy is a bit like tasking ants or rabbits to push an adult elephant stuck in a ditch.

A big increase in government's borrowings is budgeted for the coming year. Interest payments in 2022-23 are budgeted to increase by 16 per cent over this year's (2021-22) Budget estimates and 38 per cent since 2020-21. Already, nearly a fourth of the government's total expenditure today goes towards paying interest on past borrowings, up from a fifth in 2020-21. At this rate, what legacy are we building for our future generations? Government borrowings today have to be repaid by future-generation taxpayers.

That apart, the important immediate question is: will the Budget succeed in kindling a durable economic recovery? Government spending in India is small relative to the size of the economy. Depending on government spending for moving the economy is a bit like tasking ants or rabbits to push an adult elephant stuck in a ditch. On top of that, many economists have argued that instead of infrastructure projects, which inevitably use machines more than labour, the Budget should have found a way to give money to labour-intensive smaller firms and low-income families. Or it should have reduced taxes specifically so that people start spending on buying goods and services produced by labour-intensive small firms. That would have provided relief and purchasing power to a larger number of families, increased consumption levels in the economy, improving chances of a more sustainable GDP recovery.

My reporting (https://bit.ly/3h8Sb9i) shows that small companies have managed to survive so far, although the COVID shock resulted in a loss of business and rising input costs, by taking costly personal loans, dipping into family savings and reducing staff salaries or headcount. They are largely fending for themselves with little support from government. With many families suffering income losses due to lost jobs, salary cuts or earning member lost to COVID, people have cut back on spending, which has reduced business for small firms. If things carry on the same way, even if the pandemic comes to an end soon, they will find it difficult to survive. And since they tend to be labour-intensive, a large number of households will be affected along with them. As will the sustainability of the GDP recovery. **WI**

Puja Mehra is a Delhi-based journalist and author of 'The Lost Decade (2008-18): How India's Growth Story Devolved Into Growth Without A Story'

Ideas to delve deeper

Sound investment methods outlast cycles and fads and generate profits over the long run. Value Research presents stock screens based on time-tested principles. What are stock screens? These are lists of attractive stocks based on the objective principles of sound investment. We apply stock filters carefully crafted by Value Research analysts on the universe of Indian stocks to identify these attractive stocks. The filters are devised to identify stocks of the following kinds:

- Attractive blue chips
- Discount to book value
- Reasonably priced growth stocks
- High dividend-yield stocks
- Quality stocks available cheap
- Small-cap growth companies
- Value Guru picks (Benjamin Graham, Joel Greenblatt, John Neff, Peter Lynch and Walter Schloss)
- Seasonal stock screens (such as stocks at 52-week high/low, all-time high/low)

You can find all of these at **https://www.valueresearchonline.com/stocks/**

These stock screens can act as the starting point for your research. You can pick the stocks that clear a particular screen and then use your own analysis and judgement to select the ones that you think are most investment-worthy.

However, please *note that just because a stock appears in a stock screen, it doesn't automatically become our recommendation; you must do your own due diligence before investing in it.* If you are interested in our recommended stocks, please visit **www.valueresearchstocks.com**

In the following pages of 'Stock Screen', we present a few of the above-mentioned categories that collectively list a number of stocks.

Key terms

Universe companies In order to arrive at our universe of companies, we checked if the companies traded on all the days for the last two quarters. We considered the companies with a market capitalisation of more than ₹1000 crore.

Price to book value (P/B) Price to book value is the ratio of the price of a stock to the book value per share of the company. It shows how much premium investors are willing to pay for the underlying net assets of the company.

Price to earnings (P/E) The price-to-earnings ratio, or the P/E ratio, is simply the ratio of the price of a stock to its earnings per share. It shows in multiples how much investors are willing to pay for the earnings. The thumb rule of valuing a stock is that a high-growth stock will have a high P/E ratio, while a value stock will have a relatively lower P/E ratio.

Earnings per share (EPS) Earnings per share, or EPS, is calculated by dividing the company's net profit with the total number of outstanding shares.

EPS growth Growth of the EPS over a specified time period – trailing 12 months (TTM), a quarter or five years. Quarterly comparisons are on a year-on-year basis. For five years, the figures are annualised.

Price-earnings to growth (PEG) This ratio demonstrates how high a price we are paying for the growth that we are purchasing. It is the ratio of price to earnings to the EPS growth of the stock. In all our analyses, we have taken five-year historic EPS growth.

Earnings yield Earnings before interest and taxes (EBIT) divided by enterprise value. Enterprise value is market cap added to total debt and less cash and equivalents.

Dividend per share Total dividend declared during the year divided by the total number of outstanding shares.

Net sales This is simply the income that a company derives by selling the goods and services that it produces. The downside of taking sales as an indicator of growth is that it may not be matched by a similarly scintillating bottom-line (net profit) performance. A company may be earning revenue at a high rate. But if it is doing so by incurring a very high cost, the bottom line may not grow in proportion to the growth in the top line (sales).

Interest-coverage ratio (ICR) This indicator is generally used to gauge whether a company has the ability to service its debt. The interest-coverage ratio is calculated as the ratio of operating profit to interest outgo. A company with an ICR of more than two implies that it can service more than twice its current interest charges.

Debt-equity ratio The debt-equity ratio is calculated as the ratio of total outstanding borrowings of the company to its total equity capital. It essentially tells us which companies use excessive leverage to achieve growth. Conventionally, the debt-equity ratio of less than two is considered safe.

Return on equity (RoE) This is measured by taking profit after tax as a percentage of net worth of the company. It indicates how efficiently the company has been able to utilise investors' money.

Stock return Stock return is calculated by taking the percentage change in the price of the stock adjusted for bonus or split.

Dividend yield This is defined as the percentage of the dividend paid per share to the current market price of the stock. Since the denominator in this ratio is the market price, a stock's dividend yield changes every day.

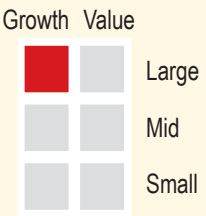
Dividend-payout ratio This is the total dividend paid to the shareholders as a percentage of net profit.

Altman Z-Score Developed by Edward Altman of New York University, the Z-Score predicts a company's financial distress or the possibility of its going bankruptcy within two years. A Z-Score of more than three is desirable.

Modified C-Score It tells the probability of financial manipulations. In order to develop it, we have modified James Montier's C-Score. A C-Score of less than four is desirable.

Piotroski F-Score Developed by Joseph Piotroski, the F-Score highlights financial performance as compared to that in the previous year. It thus points out to the current outperformer in terms of profitability and financial improvement. An F-Score of seven or above is good.

Stock style It indicates the style of the stock. It is derived from a combination of the stock's valuation – growth or value – and its market capitalisation – large, mid and small. For example, on the right we have shown the stock style of a large-cap growth stock.



Quality stocks available cheap

The stocks listed below clear essential checks on solvency, accounting, recent financial performance and valuations

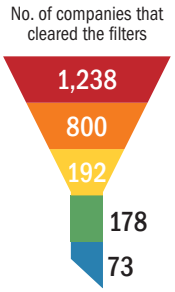
REASONS TO INVEST

- Safety
- Soundness
- Good performance
- Reasonable valuations

THE FILTERS

- Market cap greater than ₹500 cr
- Z-Score greater than 2.99
- F-Score greater than or equal to 7
- C-Score less than 4
- PEG less than 1
- P/E to median P/E less than 1.5
- Earnings yield greater than 5%

Banking and finance companies were removed from this analysis as the metrics don't apply to them.



Safe bets

Company Industry	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Action Const Equipment Other Machinery		5.3	8	2	5.9	24.4	0.44	2,664	224	292-139
Ambika Cotton Mills Cotton & Blended Yarn		13.4	9	2	16.0	8.6	0.34	1,394	2,410	2,830-846
Andhra Petrochemicals Organic Chemicals		7.4	8	1	46.8	3.6	0.05	907	107	197-51
Anjani Portland Cement Cement		6.6	8	1	20.8	11.1	0.33	649	256	532-197
Associated Alcohols Liquors		8.3	8	3	12.0	12.6	0.44	764	420	654-340
BASF India Pesticides		4.9	8	2	6.4	23.8	0.27	11,907	2,748	3,930-1863
Cadila Healthcare Drugs & Pharma		4.4	9	0	6.8	8.0	0.33	37,331	366	674-356
Chambal Fert & Chemicals Nitrogenous Fertilizer.		4.8	9	1	10.6	8.7	0.12	15,352	367	485-200
Coromandel International Other Fertilisers		7.3	8	1	8.6	16.5	0.62	23,333	791	956-709
Cosmo Films Packaging & Containers		3.7	8	1	16.2	8.0	0.23	2,762	1,503	1,889-467
Datamatics Global Services Software		16.1	8	2	13.0	11.7	0.76	1,553	259	382-109
Deccan Cements Cement		4.3	9	0	25.8	7.1	0.37	772	549	847-378
Deepak Nitrite Organic Chemicals		17.4	8	1	5.5	25.1	0.38	26,932	1,979	3,020-1,246
Dhunseri Ventures Bakery & Milling Prod.		3.3	8	1	28.0	2.3	0.12	791	225	350-85

STOCK SCREEN

Company Industry	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
EID-Parry (India) Sugar		3.3	8	1	27.0	12.2	0.96	7,119	396	574-303
Eldeco Housing & Ind Real Estate		4.5	8	1	12.8	13.7	0.62	680	683	977-338
Everest Kanto Cylinder Storage & Distribn.		11.0	8	3	13.2	11.5	0.28	2,231	199	292-67
Finolex Industries Plastic Tubes & Pipes		8.0	9	3	13.2	11.3	0.47	9,416	152	268-120
Garware Hi-Tech Films Plastic Films		5.4	8	3	17.3	10.0	0.20	1,450	613	1,225-606
Gokul Agro Resources Vegetable oils		6.5	8	0	20.4	11.1	0.30	901	64	84-19
Gravita India Non-Ferrous Metal		6.6	8	1	6.4	21.0	0.55	2,359	346	398-81
Greenpanel Industries Wood		6.5	9	1	5.3	26.6	0.03	5,747	462	539-150
Gufic Biosciences Drugs & Pharma		7.0	9	1	6.2	22.1	0.42	1,958	202	270-99
Gujarat Narmada Valley Nitrogenous Fertilizer.		4.5	8	0	28.7	6.1	0.19	8,083	519	578-235
Gulshan Polyols Organic Chemicals		10.7	9	1	10.1	14.4	0.47	1,372	289	429-88
Hathway Cable & Datacom Telecom Services		11.5	8	1	6.5	19.4	0.85	3,213	18	35-18
Hikal Drugs & Pharma		4.7	9	1	6.0	24.7	0.93	4,494	364	742-143
HIL Cement & Asbestos prod.		4.4	8	0	10.1	13.4	0.37	2,954	3,891	6,758-2,790
INEOS Styrolution India Ltd Thermoplastics		6.5	8	3	30.8	5.1	0.12	1,944	1,103	1887-922
Insecticides (India) Pesticides		3.7	8	2	10.8	12.0	0.64	1,313	643	847-405
Ion Exchange (India) Other Machinery		4.0	8	0	9.3	18.8	0.35	2,728	1,870	2,947-1,845
Jash Engineering Industrial Machinery		4.5	8	2	7.0	17.9	0.21	587	498	628-260
Jindal Poly Films Packaging & Containers		3.9	9	2	26.9	4.9	0.23	4,482	1,012	1,343-468

STOCK SCREEN

Company Industry	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
JK Cement Ltd Cement		4.0	8	1	5.5	32.0	0.48	22,426	2,911	3,838-2,572
KCP Cement		3.1	8	2	23.9	6.6	0.66	1,473	114	169-73
KDDL Ltd Clocks & Watches		3.6	8	3	6.0	38.9	0.62	1,124	864	1,191-250
Khaitan Chem & Fertilizers Phosphatic Fertilisers		6.3	9	1	11.3	12.1	0.09	938	96	130-20
LG Balakrishnan & Brothers Auto Ancillaries		5.3	8	3	16.8	7.8	0.51	1,862	591	736-282
Lincoln Pharmaceuticals Drugs & Pharma		6.2	8	1	18.8	8.7	0.48	604	299	415-219
LT Foods Other Agriculture Products		3.0	9	1	14.6	7.5	0.27	2,005	63	91-51
Lux Industries Cloth		13.7	8	1	6.5	21.5	0.54	7,608	2,510	4,644-1,639
Mac Charles (India) Hotels		9.5	8	1	8.7	12.2	0.63	1,071	829	914-177
Manali Petrochemicals Organic Chemicals		8.6	9	1	42.7	4.1	0.12	1,556	90	139-47
Morepen Laboratories Drugs & Pharma		5.1	8	1	7.5	15.8	0.32	1,799	40	75-29
NACL Industries Pesticides		4.1	8	2	7.4	22.2	0.53	1,528	77	105-36
National Aluminium Co Aluminium		5.2	8	2	18.1	7.2	0.68	20,919	116	128-51
NCL Industries Cement		3.2	9	0	18.7	7.5	0.33	803	177	305-144
Neuland Laboratories Drugs & Pharma		3.6	9	0	6.5	23.5	0.96	1,356	1,054	2,844-1,050
NGL Fine-Chem Drugs & Pharma		19.3	8	2	6.2	23.2	0.62	1,306	2,108	3,789-1,424
NMDC Minerals		4.5	8	1	38.7	3.9	0.22	41,028	140	213-117
Orient Cement Cement & Asbestos prod.		3.3	8	0	13.5	10.7	0.17	3,094	150	186-89
PDS Multinational Fashions Trading		4.7	8	2	7.9	18.5	0.48	4,068	1,597	2,100-604
Prince Pipes & Fittings Plastic Tubes & Pipes		9.2	9	3	5.1	28.5	0.41	7,374	660	897-385

STOCK SCREEN

Company Industry	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Punjab Chem & Crop Pro Pesticides		5.5	8	2	6.2	23.1	0.77	1,744	1,424	1,934-840
Rama Phosphates Phosphatic Fertilisers		7.4	8	2	18.5	7.7	0.12	589	329	505-110
Ramco Industries Cement & Asbestos prod.		4.1	9	0	10.8	6.1	0.41	1,952	222	367-215
Redington India Trading		5.1	8	0	18.9	9.9	0.44	11,937	153	179-74
Roto Pumps Auto Ancillaries		9.8	8	2	6.7	21.9	0.19	569	369	450-132
RPG Life Sciences Drugs & Pharma		8.9	8	3	9.3	15.9	0.86	810	486	752-360
Rupa & Company Readymade Garments		8.5	9	1	7.8	18.0	0.83	3,584	450	561-290
Shakti Pumps (India) Pumps & Compressors		5.0	9	1	10.6	13.9	0.10	989	530	910-458
SH Kelkar & Co Organic Chemicals		3.3	8	1	7.1	11.4	0.98	1,987	144	207-106
Somany Home Innovation Ceramic tiles		5.3	9	1	5.6	15.6	0.04	2,877	399	486-246
Stylam Industries Wood		9.5	9	1	6.1	22.8	0.64	1,547	892	1,420-861
Surya Roshni Steel Tubes & Pipes		4.0	9	0	9.9	13.2	0.65	2,388	439	868-328
Talbros Automotive Compo Auto Ancillaries		3.1	9	1	9.5	9.4	0.20	555	440	658-190
Themis Medicare Drugs & Pharma		5.9	8	0	8.9	13.9	0.50	943	1,044	1,199-276
Thirumalai Chemicals Organic Chemicals		5.0	8	2	17.6	8.4	0.28	2,283	221	357-81
TV18 Broadcast Media & Entertainment		7.9	8	3	9.5	17.4	0.22	10,218	59	77-26
Vardhman Special Steels Finished Steel		4.1	8	2	15.3	9.8	0.25	957	235	309-134
Vimta Labs Drugs & Pharma		8.6	9	1	6.8	21.2	0.78	746	333	453-145
Visaka Industries Cement & Asbestos prod.		4.7	8	1	16.7	8.8	0.25	1,040	611	874-459
Welspun Corp Steel Tubes & Pipes		3.4	8	3	21.3	8.3	0.11	3,807	145	197-106

Data as on February 22, 2021.

Discount to book value

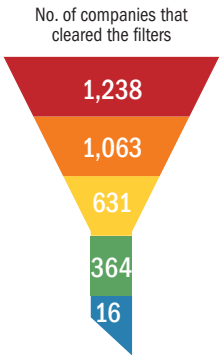
Stocks available at a discount to their book value indicate bargain and inherent value, provided the business fundamentals are sound

REASONS TO INVEST

- Really cheap
- Relatively undervalued
- Companies with assets

THE FILTERS

- Market cap greater than ₹1000 cr
- Debt-equity ratio of less than 1.5 times
- Return on net worth of more than 10% in the most recent year
- Companies must have a five-year earnings growth of more than 10%
- Price-to-book should be between 0.01 and 1



Bargain hunt

Company Industry	Stock style	P/E	P/B	5Y EPS growth (%)	Dividend yield (%)	Debt-equity ratio	RoE (%)	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Authum Investment & Infra Misc. Fin.services		4.3	0.7	177	0.0	1.4	45.7	2,594	153	225-30
Bengal & Assam Company Misc. Fin.services		4.2	0.7	10	0.3	1.3	10.6	2,672	2,466	2,880-1,305
CESC Electricity Generation		7.7	1.0	17	0.6	1.4	14.1	10,061	76	102-58
Consolidated Finvest DFIs		1.4	0.9	30	0.0	0.0	15.9	589	183	242-36
Indian Oil Corporation Oil Refineries & Marketing		4.1	0.8	13	10.3	1.0	19.8	1,10,004	117	142-87
Kalyani Steels Finished Steel		5.0	1.0	11	2.7	0.2	18.0	1,222	282	466-279
Kirloskar Industries Castings & Forgings		5.4	0.6	18	0.7	0.2	22.8	1,386	1,412	1,975-1,180
Nava Bharat Ventures Diversified		4.7	0.4	26	2.2	0.8	12.8	1,673	116	144-58
Oil India Oil & Gas Exploration		5.5	0.8	13	2.3	0.8	15.4	23,846	221	268-112
Sunflag Iron & Steel Co Finished Steel		4.9	0.9	20	0.0	0.2	12.7	1,200	67	97-57
Tata Steel BSL Finished Steel		1.3	0.4	17	0.0	0.5	12.8	9,354	85	110-28
Tata Steel Long Products Sponge Iron		3.4	1.0	48	0.7	0.5	24.8	3,125	692	1,175-644

STOCK SCREEN

Company Industry	Stock style	P/E	P/B	5Y EPS growth (%)	Dividend yield (%)	Debt-equity ratio	RoE (%)	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
UFLEX Packaging & Containers		3.8	0.6	25	0.5	0.7	16.5	3,678	517	658-353
Ultramarine & Pigments Dyes & Pigments		16.1	1.0	15	1.6	0.1	14.6	896	307	518-265
VLS Finance Brokerage Services		2.5	0.2	90	0.9	0.0	10.6	638	167	265-71
Welspun Corp Steel Tubes & Pipes		8.3	1.0	72	3.5	0.2	14.2	3,765	145	197-106

Data as on February 22, 2022. EPS growth rates are annualised.

Attractive blue chips

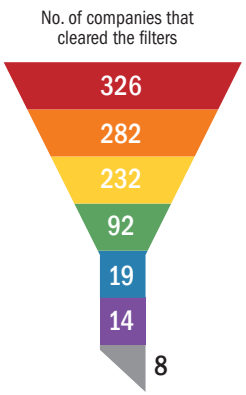
Investing in blue chips at reasonable valuations is one of the simplest methods of wealth creation with limited pain

REASONS TO INVEST

- Liquidity
- Large companies in respective businesses
- Strong balance sheets
- Liked by institutions

THE FILTERS

- Mcap more than 10,9231
- D/E 0 to 2
- Interest coverage ratio more than 2
- ROE 5 year average more than 20%
- EPS 5 year growth more than 20%
- PEG (5 Yr) 0 to 1.5
- 5 year ROE consistency without losing 20% year on year



Solid foundation

Company Industry	Stock style	P/E	PEG	Debt-equity ratio	Interest coverage ratio	5Y avg RoE (%)	5Y EPS growth (%)	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Alkyl Amines Chemicals Organic Chemicals		57.0	1.50	0.1	64.3	33	38	15,465	2,998	4,749-1,981
APL Apollo Tubes Steel Tubes & Pipes		39.9	1.15	0.3	9.3	22	30	20,481	814	1,115-470
Balkrishna Industries Tyres & Tubes		25.6	1.19	0.2	133.2	20	21	36,904	1,899	2,724-1,517
Chambal Fertilisers & Chem Nitrogenous Fertilizer.		8.6	0.12	0.7	9.1	26	50	15,262	367	485-200
Coromandel International Other Fertilisers		16.6	0.62	0.0	17.9	24	27	23,213	791	956-709
KPR Mills Cotton & Blended Yarn		27.2	1.11	0.3	22.0	22	27	22,019	642	772-166
Petronet LNG Natural Gas Utilities		9.5	0.36	0.0	12.7	24	26	31,080	207	261-204
Supreme Industries Plastic Tubes & Pipes		23.6	1.06	0.0	49.2	24	22	25,865	2,041	2,694-1,873

Data as on February 22, 2022.

High dividend-yield stocks

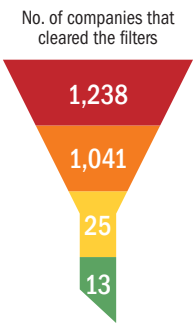
Good dividends are not just a bonus in addition to stock returns, they also accumulate to become sizeable in the long run

REASONS TO INVEST

- Cushion against volatility
- Higher total return
- Generate regular tax-free income

THE FILTERS

- Market cap greater than ₹1000 cr
- Dividend payout ratio of less than 40%
- Stocks with a current dividend yield of more than 3%
- Stocks with sustained per share dividend and amount over the past five years1



Dear dividend

Company Industry	Stock style	P/E	PEG	Dividend per share (₹)	Dividend yield (%)	Dividend pay-out ratio (%)	Earnings yield (%)	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Aditya Birla Sun Life AMC Asset Management Companies		27.9	1.90	38.9	7.7	26.6	4.8	14,573	506	723-499
Cochin Shipyard Ship Building		7.7	0.50	15.5	5.1	33.5	38.8	3,978	302	434-300
Gujarat Industries Power Electricity Generation		7.0	-1.31	2.7	3.7	22.3	20.5	1,115	74	106-72
Housing & Urban Dev Corp Housing Finance		4.6	0.29	2.2	6.5	27.6	10.1	6,686	34	58-33
Indian Railway Fin Corp DFIs		4.7	0.07	1.1	4.8	31.1	5.3	28,293	22	27-21
KSE Oil Cakes & Animal Feed		21.0	0.60	100.0	4.7	28.3	7.4	679	2,121	3,065-1,942
Mahanagar Gas Natural Gas Utilities		10.8	0.87	23.0	3.1	36.7	15.9	7,327	744	1284-740
Mazagon Dock Shipbuilders Ship Building		7.0	0.05	7.2	3.0	28.4	-28.0	4,865	242	321-192
PCBL Carbon Black		8.2	0.10	7.0	3.6	38.5	15.4	3,643	196	279-175
PNB Gilts Brokerage Services		10.9	-1.30	10.0	16.1	39.6	5.5	1,121	63	95-47
Rail Vikas Nigam Infrastructure		6.0	0.17	1.6	5.1	35.7	13.3	6,443	31	45-26
REC SIDCs/SFCs		2.5	0.31	12.7	10.4	30.0	9.8	24,074	124	169-122
Welspun Corp Steel Tubes & Pipes		8.3	0.11	5.0	3.5	21.1	21.6	3,765	145	197-106

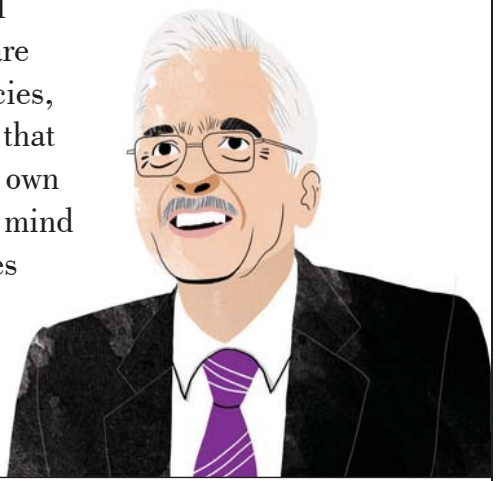
Data as on February 22, 2022.

WORDS WORTH NOW

I am not going to legalise it or ban it [cryptocurrency] at this stage. Banning or not banning will come subsequently, after consultations… (Whether it is) legitimate or illegitimate, it is a different question, but I will tax because it is a sovereign right to tax.

Nirmala Sitharaman Finance minister, *Financial Express*, February 12, 2022

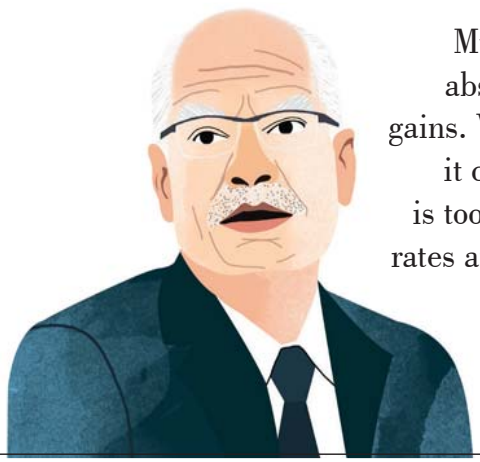
I think it is my duty to tell investors that when they are investing in cryptocurrencies, they should keep in mind that they are investing at their own risk. They should keep in mind that these cryptocurrencies have no underlying – not even a tulip.



Shaktikanta Das Governor, RBI, *The Economic Times,* February 11, 2022

It has been a privilege to lead the Tata Group for the last five years and I am delighted at the opportunity to lead the Tata Group for another five years in its next phase.

N Chandrasekaran Chairman, Tata Sons, *Financial Express*, February 12, 2022



My view is that we need to absolutely relook at capital gains. Whenever I discuss this, it creates friction. I think it is too complicated in terms of rates and holding periods. This is a work in progress.

Tarun Bajaj Revenue secretary, *Business Standard,* February 10, 2022

I'm proud of the fact that I avoided it [cryptocurrency]. It's like some venereal disease. I just regard it as beneath contempt. Some people think it's modernity, and they welcome a currency that's so useful in extortions and kidnappings [and] tax evasion.

Charlie Munger Vice Chairman, Berkshire Hathaway, www.economictimes.indiatimes.com, February 17, 2022

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MUTUAL FUNDS Sahi Hai

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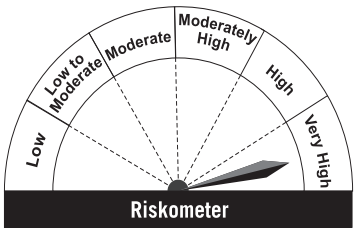

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Riskometer is as on January 31, 2022

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